

FAR EASTERN ECONOMIC REVIEW

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THE SACK OF SHAMEEN

On Friday, January 16 the agitation which had been fanned into fanatic frenzy by the Chinese press, interested propagandists and certain political factions culminated in the sacking and burning in broad daylight of the British Consulate General and residence, the premises of Messrs. Jardine Matheson, Messrs. Butterfield & Swire and other British property on Shameen the former British island concession at Canton. Mr. Ronald Hall, the British Consul General and other Consular officers were miraculously saved from the violence of the mob but six members of the staff were amongst the many injured.

The facts reveal that the anti-British demonstration had been fixed for noon that day; the masses had been inflamed by mendacious reports and exhortations tolerated or at least not discouraged by the local officials; it took between two and a half and three hours before the Consulate's appeal for protection brought the gendarmes on the scene; throughout a whole afternoon the British residents in the old British concession were helpless at the mercy of a fanatical mob amongst whom as the photographs plainly show were not only students and agitators but members of a Youth Corps in uniform.

This open insult and affront to Britain and her flag and the destruction of immensely valuable British property culminated as the result of agitation fomented over the affair of the once walled city of Kowloon twenty-five miles within the frontier of the territory leased to Britain and adjacent to Hongkong's only aerodrome at Kaitak.

Until last year when the matter was raised as a focus of anti-British agitation nothing had been heard of the Kowloon City question for fifty years. In the Convention of 1898 for the extension of the Colony of Hongkong by the lease of the New Territories on the mainland it was agreed "that within the city of Kowloon the Chinese officials now stationed there shall continue to exercise jurisdiction except so far as may be inconsistent with the military requirements for the defence

of Hongkong," but that "within the remainder of the newly leased territory Great Britain shall have sole jurisdiction."

The existence of this small enclave of a few acres inside the leased territories proved at once to be a source of mischief. By an Order in Council issued by the Privy Council in December 1899 it was declared to be part and parcel of the Colony of Hongkong. The Order in Council recited that "whereas the exercise of jurisdiction by the Chinese officials in the City of Kowloon having been found to be inconsistent with the military requirements of Hongkong it is expedient that Article 4 of the said Order in Council should be revoked and that the Chinese officials within the City of Kowloon cease to exercise jurisdiction therein and that the said City of Kowloon should become part and parcel of her Majesty's Colony of Hongkong for all purposes during the continuance of the term of the lease."

From 1899 till last year—nearly fifty years—the Chinese authorities exercised no jurisdiction in the City of Kowloon nor showed any interest in the life or health of its residents. Today there is no Kowloon City. All but a few fragments of the old city wall were demolished by the Japanese who extended the Kai Tak Aerodrome to its limits; and but for a survey it would be difficult to locate the site with any accuracy. Since the reoccupation of Hongkong the Government of the Colony has been gravely concerned with the menace to health and property in the neighbourhood from the unauthorised insanitary and flimsy structures put up by squatters. After vainly trying to persuade the squatters to move and offering them alternative accommodation eviction orders were ultimately issued by the Hongkong Courts and the police proceeded to carry out the Courts' orders. The position was immediately seized upon by agitators from Canton including the officials of the Chinese Magistracy that now claimed jurisdiction, and the squatters by means of exhortations and monetary and material support were actively encouraged and

assisted to defy the police authorities and the Court order, to refuse alternative accommodation and to rebuild their huts. When the police intervened the squatters attacked them with stones and other missiles and after a warning the police dispersed the mob after firing over their heads; in the course of this fracas one Chinese was slightly injured with a gunshot wound and a few more including police were hurt. Two of the rioters who attacked the police, one of whom proved to be a former political propagandist of the Chinese Army, were sentenced to three months' imprisonment.

It must be said that some responsible Chinese like Dr. T. V. Soong, the Governor of Kwangtung and Dr. Chu Chia-hwa, the Minister of Education who addressed students in Formosa strove to stem the rising wave of agitation which however was stirred by other political elements both in Canton and Nanking. No reasonably minded official could but recognize that squatters who had no right to be on the land at all could not be backed by political interposition on the part of China when all the British authorities in the Colony tried to do was to ensure the sanitation of the district by the removal of the squatters to alternative accommodation. Both the local Commissioner of Kwangtung and Kwangsi who has been allowed to function in the Colony and the Foreign Minister of China made the incident an occasion for strong protests to the British authorities, and a demand that the Hongkong authorities should refrain from further police action as the Chinese authorities refused "to recognize as legal any measures taken by the British Government in contravention of the Sino-British accord of 1898 on the extension of Hongkong territory."

It is difficult after an interval of half a century to recognise in the recent protests of the Chinese authorities any genuine concern for the squatters of Kowloon City who in any case were not originally residents there, or any desire to maintain friendly relationship with the Colony of Hongkong. Whatever the academic interest there may be in the question of the jurisdiction over the few acres of territory isolated

far within the Leased Territories it is clear from the evidence that it had been forgotten for half a century until it was discovered in assessing the Po On Magistracy in China for the purpose of taxation that the position was exploited for private racketeering purposes and it is difficult to escape the conviction that the matter was adopted by some Chinese Government officials as an issue which would serve as a point of argument and friction and possibly divert the public attention from their own internal troubles and civil war to the doings of the wicked foreigners in the Colony of Hongkong. The technique of such protest—the mendacious campaigns in the press and the unleashing of mob violence—has been but too well known during the last century, and it is sad to think that China today in spite of her ancient civilization, and her claim to rank as one of the great powers should be so incapable of law and order or the protection of foreign lives and property in the Settlements and Concessions which were so recently handed over to her administration and control.

Such outrages as those of Shamen compel frank speaking. The Chinese Press has been allowed to foment hostile agitation of the masses by wild and inflammatory articles and no Chinese papers will publish the true facts; even Reuter's service was banned. In the Colony of Hongkong even no Chinese paper dares to publish the British side of the question for fear of reprisals. On this occasion, however, the old weapon used to beat the British has proved a stinging boomerang which should give rise to shame and remorse.

Unfortunately the deplorable outrage of Shamen is not altogether isolated by events since the recent conclusion of the war where the rights of foreigners recently the allies of China have in so many instances been flagrantly disregarded. And this culminating attack has clearly not been the act of Communists but of the inhabitants of the City whence much of China's inspiration is said to be derived.

The much respected and learned Chinese Ambassador to the Court of St. James, jurist and philosopher, Dr. Cheng Tien-hsi recently published a book "China moulded by Confucius" In his book he wrote—

"Generosity is found not only in words but also in deeds. The numerous aids given by America and England in various forms to China and the Chinese people, culminating in their voluntary abolition of their extraterritorial rights in China, kindle in the Chinese heart a deep sense of gratitude."

Later he quotes the Master as saying—

"Recompense kindness with kindness and recompense injury with justice."

We shall await with what justice the injury of Shamen is recompensed.

HONGKONG'S ASSISTANCE OF THE CHINESE CUSTOMS

For the last year this Review has been preaching to its readers the immense possibilities of the province of Kwangtung and its great river port of Canton. The appointment of Dr. T. V. Soong as Civil Governor was enthusiastically welcomed as heralding the suppression of disorder, the development of the rich resources of South China undisturbed as it is in the main by Communist troubles, and an era of cooperation in trade within one economic sphere between Canton and Hongkong.

In its genuine desire to assist China in her present difficulties unable as she has been to prevent smuggling on a large and open scale by powerful organized groups, with whom officials and military and naval groups have been allied, the Colony of Hongkong has now gone far out of its way in the sacri-

fice of elements of sovereignty and the curbing and restriction of its own trade. Hongkong has agreed to restrict the places of loading of goods intended for export to China, to permit the Chinese Customs to establish centres within Hongkong for preventive purposes, and to be at liberty to enter upon and patrol certain Hongkong territorial waters and to examine the papers of vessels carrying cargo not duly cleared from a port in Hongkong in the custody of a Hongkong authority. The Chinese Customs already have an administrative Headquarters in the Colony and preventative services at the Kowloon terminus of the Railway and around the perimeter whilst the Inland Revenue Department of the Colony is strained to the utmost in enforcing customs and financial control for the benefit of China rather than of the Colony.

HONGKONG'S ECONOMIC COOPERATION WITH NANKING

(2) SPECIAL PRIVILEGES FOR THE OPERATION OF CHINESE CUSTOMS IN THE COLONY

The Hongkong Government and the Chinese Maritime Customs have concluded an agreement concerning the prevention of smuggling between Hongkong and Chinese ports which has been approved by the British and Chinese Governments on January 13 by an exchange of notes between the British Ambassador in Nanking and the Chinese Foreign Minister.

The Hongkong-Chinese Customs agreement* has come into force as from January 13. It provides mainly for the restriction of loading places for vessels carrying cargo to China (but Legislative Council of Hongkong will, after Government submits the necessary legislation, have to consider, alter or approve); the granting of permission to the Chinese Customs to establish centres within Hongkong for collection or assessment of duties, tallying of loadings at specified places; and the permission to the Chinese Customs to enter and patrol the northern fringes of the waters in the Deep and Mirs Bays.

The agreement is to last for one year. It is an exceptional measure which has been taken by Hongkong Government in appreciation of the great economic difficulties facing China and in the hope that it may help in the enforcement of China's import restrictions and embargoes which the Chinese Government has promulgated without, however, securing sufficient cooperation on the part of the Chinese public. In the past 40 years various Chinese governments also approached Hongkong Government requesting assistance in the control of smuggling but these requests were not favourably decided by Hongkong. In previous instances smugglers wanted to obviate the payment of Chinese Customs duties but during 1946 and 1947 smuggling and otherwise unrecorded imports into China were a consequence of the increasing import embargoes of Nanking.

Following is the text of the AGREEMENT BETWEEN THE HONGKONG GOVERNMENT & THE CHINESE MARITIME CUSTOMS CONCERNING THE PREVENTION OF SMUGGLING BETWEEN THE COLONY OF HONGKONG AND CHINESE PORTS:

(1) The Government of Hongkong (hereinafter called "the Government") will submit to the Legislative Council of Hongkong legislation the objects of which shall be to restrict the loading of goods intended to be exported to China as follows:—

(a) Loading of vessels of 200 net registered tons and upwards shall be restricted to any point within the Port of Victoria;

* Previous articles dealing with the negotiations between Hongkong and Chinese authorities concerning economic cooperation, i.e. assistance by Hongkong Govt. in the enforcement of trade and exchange controls of China, appeared in this Review's issues of October 22 ("Financial and Customs Agreement between Hongkong & China") and of September 3 ("A Secret Hongkong-China Agreement").

(b) Loading of vessels of less than 200 net registered tons shall be restricted to either the Junk Anchorage at West Point, such portion of the Yaumati Typhoon Shelter as the Harbour Master of the said Colony may direct, or the Port of Taipo.

(c) Anything hereinbefore contained in this paragraph notwithstanding the Harbour Master in his discretion shall have the right to permit any vessel to load elsewhere in the waters of the Colony and in any case in which such permission is given by him he shall as soon as may be so inform the Customs and the Customs shall have the liberty in any such case by tally to check the loading of any goods in respect of which the exporter proposes to pay or has requested the assessment of Chinese Duty in Hongkong.

(2) The Chinese Maritime Customs (hereinafter called the "Customs") shall be at liberty to establish within the Colony of Hongkong centres at which customs duty, (hereinafter called "Chinese Duty") which would, upon importation into China of any commodity, become payable to the Customs, may be paid assessed in advance in respect of commodities about to be exported to China. Payment or assessment of Chinese Duty at any centre so established shall be entirely at the option of the intended exporter of the goods concerned and the Customs will take every care to ensure that this fact is known to any such intended exporter. The Customs will supply any person so paying Chinese Duty in Hongkong with such documents and will take such action within its own organisation as will ensure that the goods concerned are released with a minimum of delay upon arrival at their port of destination in China.

The Customs will be at liberty to establish inspection centres as provided in this paragraph in such premises as it may be able to arrange adjacent to the Shelter and Anchorage mentioned in sub-paragraph (b) of paragraph 1, and at such centres and at such other centres as may be agreed to inspect goods in respect of which the exporter proposes to pay or has requested the assessment of Chinese Duty in Hongkong.

The Customs shall be at liberty to maintain, for the purpose only of checking the loading of goods in respect of which Chinese Duty has been paid or assessed in Hongkong, a staff of checkers at the Shelter and Anchorage aforesaid, which shall not, without the prior permission in writing of His Excellency the Governor of Hongkong exceed a total of 40 persons together with a reasonable number of foremen as may be approved by His Excellency the Governor of Hongkong. In addition the Customs may maintain, for

the purpose of checking loading into vessels of 200 net registered tons and upwards of goods in respect of which the Chinese Duty has been paid, or assessed in Hongkong, such reasonable number of checkers and foremen as may be approved by His Excellency the Governor of Hongkong. Checkers and foremen will be at liberty to go on board any vessel where necessary for the purpose aforesaid but their duties shall be in the nature of tallying only and shall be carried out in such manner as not to interfere with or hinder the loading of cargo; and more detailed examination must be made in the Customs' centres when duty is being assessed. Every person engaged in checking cargo on behalf of the Customs shall be provided with an identification card to which shall be annexed his photograph, such card to be authenticated by the signature of the local Commissioner of Customs or his Deputy.

Nothing in this agreement shall be construed as authorizing any officer or other employee of the Customs to enter upon any private premises without the consent of the owner thereof.

(3) The Government will instruct the Harbour Master to assist the Customs as far as possible by refusing clearance of vessels from Hongkong for any port in China save those ports on a list to be agreed to between the Customs and the Harbour Master but such instructions shall be discretionary only and may be varied or revoked at any time either generally or in specific instances.

Where sufficient evidence is forthcoming that vessels which were cleared from Hongkong for a port in China failed without sufficient justification to proceed to such port, proceedings for a penalty will be normally instituted when such vessel returns to Hongkong. Vessels of less than 200 net registered tons clearing from Hongkong for a port in China will be advised, unless the Customs otherwise requests, to call at one of the Chinese Customs' island stations in the vicinity of Hongkong. Such legislation as may be necessary for the carrying into effect of this paragraph will be submitted by the Government to the Legislative Council of Hongkong in due course.

(4) The Government hereby grants to the Customs liberty to enter upon and patrol those areas in the waters of the Colony of Hongkong described in the Schedule hereto (hereinafter called "prohibited areas") and therein to stop any vessel for the purpose of examining her papers; if it is found that any such vessel which is carrying cargo has not been duly cleared from a port in Hongkong the Customs shall, unless such vessel is allowed to proceed on her voyage, place such vessel in the custody of the nearest or most convenient Hongkong authority. The Government will submit to

the Legislative Council of Hongkong legislation necessary for the purpose of giving effect to this paragraph including the prohibition of the entry into a prohibited area of any cargo carrying vessel which has not been duly cleared from a port in Hongkong.

Nothing in this paragraph shall be deemed to impose upon Government any liability to concede to the Customs any right of search, confiscation, detention or fine or any right which it would be a breach of International law for the Government to concede or the Customs to exercise.

(5) The Government will from time to time consider the question of prohibiting the use for the purpose of carrying cargo of vessels licensed as Class IV under Table T of the Regulations under the Merchant Shipping Ordinance, 1899, having regard to the needs of the Colony and the services rendered to the Colony by such vessels as cargo carriers.

(6) The Government will consider what measures may be practicable for directing that export of goods from the Colony to China across land frontier shall take place only at Sha Tau Kok at a point opposite Ling Tong, at the point where the Kowloon-Canton Road crosses the frontier and at Lowu railway bridge and at any other points which may be agreed upon and towards hindrance or prevention of exports at other points on such frontiers.

(7) Nothing in these provisions shall apply to goods which are intended to be exported to China by Air; no officer shall be stationed by the Customs at Kai Tak Aerodrome and the officer at present stationed there shall be withdrawn.

(8) The Customs and the Superintendent of Imports & Exports will each of them apply to the other any information which they may respectively acquire which, in their respective opinions, might be of assistance to the other in the prevention and detection of the smuggling of narcotics and dutiable commodities, or of the exportation or importation, as the case may be, of prohibited exports or imports.

(9) Customs arrangements in respect of goods being transported on the Kowloon-Canton Railway shall as heretofore be the subject of agreement between the Government and the Ministry of Communications of the Republic of China but payment in Hongkong of duty due to the Customs shall by the terms of any such agreement remain optional except insofar as assistance may lawfully be given to the Customs by virtue of any Ordinance, rules or other laws relating to the said Railway for the time being in force in the Colony of Hongkong, or by contractual stipulation.

CHINA ON THE SEAS

UNSOUND BASIS OF CHINA'S MERCHANT MARINE—EXCLUSIONIST POLICY
—FOREIGN SHIPPING'S ASSISTANCE TO CHINA

By ESNECCA

With the termination of the "Unequal Treaties" an era has ended for shipping in the China Seas. Many observers both in China and outside lament the bad old days, but no one today who has any sense of realities disputes China's absolute right to decide for herself how to manage the shipping on her coasts and rivers. *It is the desire of her Government to have a strong merchant marine, but one may well wonder whether China is displaying all her traditional wisdom in the way she has chosen to set about it.*

The facts are these; before the war the internal movement by water of Chinese produce, whether on the coast or by the rivers, depended to the extent of not less than 60% (exact figures do not seem to be known) on foreign shipping services. There was never any formal or Treaty reason why Chinese shipping should not have played a bigger part in this traffic. There was no shortage of money in the hands of individual Chinese who, if they had wished, could easily have financed shipping enterprises, but Chinese Merchants were content to use the very efficient services offered by foreigners and to employ their money in different ways. British Lines played by far the largest part in the traffic, followed to an increasing extent by Japanese. Various

European flags also played a prominent part in the tramp trades on the China coast, but in this field Chinese interests predominated. Foreign ships operated commercially under exactly the same conditions as Chinese ships and enjoyed no special advantages.

Good Services of Foreign Shipping.

Strong objection was taken before the war in Chinese political quarters to the regime which enabled foreign shipping to play so large a part in China's trade, but the objections were based on political not on economic grounds. It was possible to represent the part played by foreign shipping in China's trade as resulting in a loss to foreign exchange, since the owners of the ships naturally took some of their profits out of the country, even though the rest remained and remains reinvested in China in the form of capital expenditure on quays, warehouses and the like. That is, however, not an entirely fair picture. *It was the efficient and relatively cheap foreign shipping services on her coasts and rivers which alone made possible the country's immensely valuable foreign trade. The additional wealth created in China by this trade, not to mention the profits of Chinese merchants who took part in it, was vastly in excess on any drain on China's foreign resources which the profits of the Shipping Companies may have represented.*

(10) During the continuance of this agreement the person from time to time appointed to the office of Commissioner of the Chinese Maritime Customs in Hongkong (and also all Departmental Commissioners in Hongkong) shall be of British Nationality and shall be persons acceptable to the Government.

(11) In this agreement the word "vessel" shall include junks, lighters, boats and craft of any kind which are capable of being used for the purpose of carrying cargo.

(12) This agreement shall come into force at a date not later than 20th January, 1948, and shall remain in force for the space of one year from the commencement thereof. Thereafter it shall continue in force until 3 calendar months after the written notice of termination shall have been given by one contracting Government to the other.

THE SCHEDULE

(1) Deep Bay Area; (2) Mirs Bay Area.

(The northern parts of the waters, being British territorial waters, which border Chinese territory)

Ammon's now famous remarks, have generally taken the form of nostalgic reminiscences and missed the point.

Post-War Development of China's Shipping.

Since the war China has succeeded in gathering a merchant marine of approaching a million tons. The newer ships have mostly been acquired from America or Canada, with or without payment, but include a number of temporary wartime landing craft and such like. In addition China has been in the market for large quantities of second hand tonnage, often near or past the end of its useful life. Exact figures are not available. Something like half this tonnage is operated by the Government owned and controlled China Merchants Steam Navigation Company, and this company alone is in a position to run major coastal and river liner services, which incidentally are not confined to Chinese waters. The only privately owned company on a considerable scale is the Ming Sung Company of Chungking which operates regular services on the Yangtse river. The great majority of the other ships belong to "single ship" owners. Reference should also be made to the part played today by the CNRRA Water Transport Organisation, which has been transporting UNRRA goods, mostly on wartime craft. These ships together not only have the task of maintaining the economy and foreign trade of China, but also of supporting the nationalist troops engaged in the Civil war. The fact that they are subject to military requisition at short notice and for indeterminate periods makes the operation of anything like regular services a virtual impossibility.

Lack of Dockyards and experienced Sailors.

On no standard can the composition and balance of this fleet be considered sound. Such a motley of ships can never form an economic unit designed to meet the needs of a country, or even to run at a reasonable profit. In the complete absence of foreign shipping, they have been gathered in a desperate hurry, wherever they could be found and irrespective of commercial usefulness; almost anything which has come on to the market has fallen into the pot. There are many reasons why this is not the right way to build a merchant marine, but there are two in particular which should be emphasised. Firstly, the repair and maintenance facilities of China are hopelessly inadequate to deal with a fleet of so many old and unsuitable ships, which are in constant need of drastic upkeep. Repair facilities, as both sides learned during the recent war, cannot be enlarged overnight. Many ships, both new and old, lie idle awaiting

Today there is no use in harping back to the past. China's right to create a national merchant marine if she wishes to, is an accomplished and recognised fact. The question is whether she is setting about it in a sound or practical way, *whether, in fact, the policy of extreme exclusiveness which she has adopted is not calculated in the long run to do her merchant marine, and incidentally her general economy, more harm than good.* The comments of the Press on this subject in response to Lord

repair. Secondly, no country can expect to train the skilled navigators and administrative staff necessary to operate a fleet of this size in the time which has been available. To create a properly experienced and capable merchant marine needs years of patient work. It would be as foolish to deny that in the long run China could produce and train the men, as to assert that she has done so already. At present much of the merchant marine of China is mastered and officered by men with perhaps an extensive experience of the sea in some other capacity, but with quite inadequate technical training for their new responsibilities; such ships are a danger not only to themselves, but to all other shipping in the vicinity. In other cases China has had to employ foreign crews, an artificial way, if ever there were one, of creating a "national" merchant marine.

It takes almost as long to train adequately the administrative personnel required to run the shore side of the shipping business. Many such men in China have had training already in foreign firms, but the system adopted whereby there is nothing to speak of between the vast monopolistic organisation of the China Merchants Steamship Navigation Company and the small scale ship owner does not make for efficiency. It is the general experience all over the world that shipping is better run in a series of comparatively small groups, which can study the individual requirements of the trades and the well being of particular ships, rather than in large ones, which inevitably tend to acquire the faults of bureaucracies and place too much power in the hands of a few men.

Uneconomic Operations.

Although the operation of these ships represents no drain on China's foreign exchange resources, and indeed on some occasions may even earn her small amounts, their acquisition at present inflated prices and their repairs have made deep inroads. It is an open question whether the activities of the fleet, seen from a general point of view, do in fact save China's foreign exchange resources at all. The fleet only saves foreign exchange if, in fact, it enables China to reach her full earning capacity, which at the moment it manifestly does not. The number of the efficient units of the fleet is insufficient to move the available cargo and, largely as a result, the rates of freight are extremely high. Indeed on the Yangtse the cost of transport has become an almost prohibitive factor. Chinese shipping has its own code of shipping practices. Charges paid by shippers are often not confined to the published freight, and what the shipper pays does not always go towards meeting the expenses of the voyage. The high cost, therefore, of moving the produce of China by ship, (and in most cases there is no other practicable way of moving it) is one of the main elements in the excessive prices of such produce as may now be exported and one of the main deterrents to the restoration of China's foreign trade.

Trade's Dependence on Shipping.

It is that trade alone, irrespective of the amounts which America may decide to lend or give China, which can put the Chinese economy on to a proper and stable footing and at the moment Chinese merchant shipping is not doing all that could or should be done to restore it. Unless foreign trade flourishes, it is impossible for the Chinese Merchant Marine to become organised on a sound commercial basis. In China trade and shipping are completely interlocked; the trade cannot exist unless there is cheap and reliable shipping and the shipping cannot prosper, unless the trade is there.

There is no justification of any kind for the closure of Hankow and Nanking to foreign ocean going shipping, not even the excuse of sentiment; it is an action whose sole result is to stifle completely one of China's major export trades, that of frozen eggs and food, since this cannot be shipped in quantity except from the specially constructed refrigerated terminals which exist there and there alone.

The troubles are those of a child which has grown too fast and attempted too much. The infant Hercules may have strangled the snakes but he is growing up to be a monster. If China seriously desires a strong merchant marine, and that means one that will pay for itself on some other than a get-rich-quick basis, she must set about it in a different way.

A Plan for Development of China's Shipping.

THE DEVELOPMENT OF THE CHINESE MERCHANT MARINE SHOULD BE IN ACCORDANCE WITH A CONSIDERED PLAN WHICH WILL ENABLE IT TO INCREASE AT A PACE COMPARABLE WITH THAT AT WHICH THE COUNTRY CAN TRAIN ADDITIONAL PERSONNEL AND CREATE AN EFFICIENT AND UNCORRUPT ADMINISTRATION. WHILE THIS IS TAKING PLACE CHINA WOULD BE WELL ADVISED TO LOOK IN TWO DIRECTIONS FOR HELP. IN THE FIRST INSTANCE SHE SHOULD LOOK TO THE FOREIGN FIRMS WHICH PREVIOUSLY OPERATED IN HER WATERS TO MAINTAIN THOSE TRADES IN WHICH THEY WERE INTERESTED BEFORE, UNTIL THE CHINESE MERCHANT MARINE IS PROPERLY EQUIPPED TO TAKE THEM OVER; SECONDLY SHE COULD HOPE THAT AMERICAN ASSISTANCE WOULD INCLUDE AN OFFER OF TONNAGE, NOT NECESSARILY TO BE MANNED AND RUN BY THE CHINESE, UNTIL THEY WERE CAPABLE OF ASSIMILATING IT. A PLAN ON THESE LINES WOULD ASSIST IN KEEPING ALIVE TRADES, WHICH NOW ARE VIRTUALLY DEAD UNDER THE INFLUENCE OF SHORTAGE OF TRANSPORT, HIGH FREIGHTS AND

EXPORT CONTROLS, AND WOULD OFFER CHINA AS GOOD A HOPE AS ANY OF REACHING HER ECONOMIC TARGETS.

The objections which would be raised to such a plan can be foreseen. Political quarters in China have no desire to see foreign shipping predominating in these trades again. This is largely a matter of pride, which in newspaper articles is confused with sovereignty. The latter only comes into the question, if foreigners impose their shipping in China, when China does not want it. In the 20th Century that would be impossible; no one would attempt it nor, if they did, would be supported by world opinion.

Until China is ready in an ordinary commercial sense to undertake the tasks fully herself, every economic argument underlines the fact that she still needs the assistance which foreign shipping can give her. To admit it, on conditions, where she wants it, to do the tasks she wants done until she herself is ready, is a sign of strength not of weakness, is an exercise, not an infringement, of sovereignty. There is no consistent international practice; countries do as they think best. The choice lies with China.

Position & Attitude of Foreign Companies.

Indeed to some extent the boot is on the other foot. The likelihood is that by now China would have difficulty in obtaining the full collaboration of foreign shipping interests on her coasts and rivers. Shipping business is conducted in most countries by private ship-owners for profit; if there is no profit the owners will withdraw their ships and trade them somewhere where prospects are better. It is part of the tragedy of China today that a combination of circumstances including particularly the instability of her currency, has driven away the shipping on which her economy largely depended, without adequate provision having been made for its replacement.

There is only one factor which will tend to keep foreign shipping interested in the China coast and that is that the ship-owning Companies are also the owners of large and valuable berths and warehouses at all China's major ports both on the sea and on the rivers. Although the attitude of the Chinese authorities to these properties since the war has been menacing, China might still, for this reason, find a greater readiness amongst the foreign owners to return to their former trades than the pure economics of the situation justify. Some ships which ply from Hongkong to more than one Chinese port now waste space between the Chinese ports in which they could be carrying goods and passengers, but apart from tramps there are today after the casualties of the war few additional foreign ships, which, even if the trade offered, could be easily transferred to the China coast; to the rivers probably only three

SHIPPING REVIEW

CHINESE SHIPPING COMPANIES.

The principal shipping company in China is the government owned China Merchants Steam Navigation Co. (C.M.S.N.C.) which was established in 1872 as an official enterprise by high mandarins of the Manchu Empire. The company had innumerable ups and downs, most of the active years in heavy debt and existing in other years in name only. The ships of C.M.S.N.C. were all bought in England. The Hongkong & Shanghai Banking Corp. gave ample loans and kept the company, the only shipping enterprise in China during many decades, afloat.

In the face of efficient operation of foreign companies the C.M.S.N.C. could not progress, besides the managers during certain periods were very corrupt and quite inexperienced as to shipping business. The opportunity of the first world war period when foreign shipping largely withdrew from Far Eastern waters could then not be utilised by C.M.S.N.C. and also the anti-Bri-

tish campaigns of 1925 with boycotts of the foreigners did not produce any business results for Chinese shipping firms as they neither had sufficient tonnage, experienced sailors nor managers.

On the verge of bankruptcy C.M.S.N.C. was put in 1927 under the then victorious Kuomintang Govt. and reorganised in 1932 into a government institution. With British funds and advice the state owned C.M.S.N.C. started off in 1934, having acquired 4 ocean ships from England. Prior to the outbreak of and during the last war the official company could not earn their way and was a heavy burden on the Nanking (later Chungking) Govt.

The great opportunity presented itself when Japan surrendered in 1945; then C.M.S.N.C. had just 28 ships totalling only 25,000 tons. The state owned company took over from the Japanese in 1945: 332 ships with a tonnage of 74,000, and ordered from Canada and the U.S. 106 ships with a tonnage of 227,200. A large number of the old ships and the vessels taken from the Japanese are in dilapidated condition, many are not seaworthy. At present C.M.S.N.C. has 466 ships with a total tonnage of 326,800 or about 45% of the entire tonnage possessed by Chinese shipping firms (which is less than 800,000 tons).

The state owned company also operates several wharves which were taken over from the Japanese where now certain repairs can be attended to. The Japanese wharves in China were already obsolete at the time of erecting, they have suffered through lack of maintenance and war damage.

C.M.S.N.C. operates inland river and coastal lines (largely, however, serving the army and govt. in transporting war supplies, military equipment, officials and soldiers, etc.), and one ocean line (calling on Hongkong, Manila, Bangkok, Singapore, Calcutta) with American Liberty vessels. Plans have been made for extension of ocean services (South America).

C.M.S.N.C. has established two subsidiary shipping firms, one with the Taiwan Government General (Taiwan Navigation Co. which is the Chinese monopoly steamship line for connections of Taiwan with the mainland) and the other firm with the state owned China Petroleum Corp. (China Tanker Co. which is the Chinese state monopoly for tankers).

Other Chinese shipping firms were the Ningpo-Shaoxing Steamship Co. and the Dah Ta Co., both formed in 1909 with British help, only for local water transportation; and the Ming Sung Industrial Co. and the Ta Tung Shipping Co., formed in 1926. At present, besides C.M.S.N.C., only Ming Sung is of importance in China's coastal and river shipping, having acquired Canadian vessels after the war.

The Chinese Shipping Guild, originally established as a shipowners' organisation by C.M.S.N.C., was revived after the war in Shanghai where it has conducted often a very hectic campaign against foreign shipping companies in China. It is this organisation which for the sake of better profits of its members, the Chinese shipping enterprises, advocates the exclusion of foreign shipping from Chinese coastal and river shipping, fully cognisant of the fact that the present tonnage, efficiency and integrity of existing shipping firms in China is entirely inadequate to serve the public. The Guild has at times also pleaded with the Nanking Govt. for an improvement in the continuous regimentation and requisitions of private shipping.

or four cargo carriers and half a dozen tankers at most. Before foreign shipping could come back on a scale comparable to pre-war it would be necessary for the owning Companies to undertake a building programme, which they would be most unlikely to do if they did not have some assurance that Chinese waters would be open to them for long enough to offer a fair return on their money.

To obtain the breathing space she needs, China should initiate negotiations with the foreign lines which, on the one hand would at least offer the foreigners sufficient inducement to return to some of the old trades for a limited time and on the other hand would provide guarantees for the pro-Marine. The basis of the accord must be mutual advantage and it would be up to the Chinese negotiators to ensure that foreign shipping companies only undertook what it is in the general Chinese interest that they should undertake.

All is not well in the Chinese Merchant Marine as at present constituted. It does China little service and no credit. It makes a fortune for the few and the general interest suffers. Let her in self-protection see if she cannot find a sounder way in which to develop her reasonable ambitions and consider again whether her present policy of complete exclusiveness suits any interest except that of a handful of shipowners. It is they alone who might in the short, but not in the long, run lose something by a change of policy now. Let China have the courage to be strong.

ROYAL INTEROCEAN LINES

The Royal Interocean Lines (Koninklijke Java-China-Paketaart Lijnen) which received recently the Royal Charter from the Netherlands Queen have established their head office for the Far East in the Colony of Hongkong. The R.I.L. comprise the former (Royal Packet Navigation Co. whose head offices were in Amsterdam and Batavia) and the Java-China-Japan Line (whose former head office was located in Batavia). Following the extensive reorganisation of international, inter-island (Netherlands East Indies) and Far Eastern shipping of the various Netherlands shipping interests, the amalgamation of K.P.M. and J.C.J.L. under the style of Royal Interocean Lines for the operation of Far Eastern routes was decided upon.

The fleet of R.I.L. includes (ex K.P.M.) the motor vessels Ruys, Tegelsberg and Boissevain (recently luxuriously reconditioned at the Taikoo Dockyard, of Messrs. Butterfield & Swire), the "Straat" ships, "Van Heutz" etc., and (ex J.C.J.L.) the "Tji" ships. The management of R.I.L. is in the hands of two directors Messrs. J. H. Warning and R. Pronk both being in Hongkong.

HONGKONG SHIPPING CONDITIONS & RETURNS IN 1947

Notwithstanding slow recovery and unsettled political conditions in most Far Eastern countries, Hongkong enjoyed a relatively prosperous shipping business throughout last year during which period 16,092,070 tons of ocean-going and river steamers entered from and left for abroad. On the average a total of 1,341,006 tons of shipping called on or departed from the Colony every month in 1947, representing an increase of about 20 percent over the 1946 record tonnage of 1,110,000 (December, 1946). However, when compared with the prewar monthly average, the 1947 monthly average was about 50% only.

Commercial Cargo.

The sea-going and river vessels carried into and out of the Colony in 1947 a total of 3,350,000 tons of commercial cargo, of which 3,100,000 tons were hauled by ocean-going ships (Discharged 2½ million tons, Loaded 850,000 tons). The monthly average of commercial cargo carried by river craft was around 20,000 tons—about three-fifths inward and two-fifths outward. The amount of merchandise discharged here from ocean-going steamers in 1947 was three times the volume of cargo loaded by them for abroad.

Shipping by Flags.

Throughout last year British shipping maintained an unchallengeable position both in ocean and river traffic, with American vessels taking second place. British vessels were responsible for about 50 percent of the Colony's shipping business with abroad (excluding Canton and Macao). American steamers were accounting for roughly 20 percent of the Colony's total shipping tonnage, followed, in respective positions, by Chinese, Dutch, Norwegian and Danish ships. Ocean-going steamers of other nationalities called here last year included French, Greek, Panamanian, Philippine, Portuguese, Soviet, Swedish and Hondurian; none of them has, however, played any significant role in the Colony's shipping field.

Ranked only fifth at the beginning of last year, Dutch shipping made marked progress in the past 12 months, climbing to the fourth position in mid-1947 and to third place since November 1947. Dutch shipping firms have recently effected an amalgamation and formed a new concern solely for Far Eastern shipping activities. The Far Eastern Headquarters of this company has moved here from Batavia and set up its offices at West Point. Dutch shipping will further strengthen its fleet and thus improve its position in 1948 following the formation of the new concern with its head office in Hongkong.

British Companies.

Among the British shipping companies operating in the Colony, Jardine's has strengthened its Far Eastern fleet with recent acquisitions to a total of 12 ships aggregating 50,801 tons by the end of last year. Butterfield & Swire will soon have their latest coaster, s.s. Soochow, operating between here and Chinese coastal cities. The s.s. Soochow has already sailed from the United Kingdom under the command of Capt. Taylor and is expected to reach here soon. The P. & O. Line has brought one of its biggest ship, s.s. Canton, on its Far Eastern run. Before the end of this year, the P. & O. Line will bring another seven new ships of large tonnage each into operation in Far Eastern waters. Of these, six belong to other shipping firms for which the local P. & O. Line are the agents. The Glen Line expects to acquire eight Empress type vessels, of which four will be ready for operation in Far Eastern waters before the end of 1948.

Siamese & Japanese Ships.

The year 1948 will also see Siamese and Japanese ships call on the Colony. A Siamese state operated firm is scheduled to extend runs to Hongkong. Japanese ships, already again prominent in China ports, are expected to resume services to principal Far Eastern ports.

Developments in Shipping.

During 1947, a marked characteristic was witnessed along the China coast where a number of British ships changed their flags into Panamanian flags. Other nations also have done the same thing.

A number of experienced foreign officers left last year the service of the Chinese Maritime Customs and have taken up more suitable positions in the merchant navy.

Many old ships arriving here from England and America have changed hands, most of them having been sold to Shanghai shipping owners. The big Panamanian ship, s.s. Mongolia has recently been purchased by Shanghai interests.

Local marine circles have received many enquiries from American shipping companies as to the current and future conditions along the China coast as they were interested in operating services from the United States via Hongkong to Chinese coastal ports. On the other hand, many local merchant marine officers who are well aware of the hopeless situation in China and in her shipping have made arrangements to operate in other Far Eastern waters.

Shipping between here and foreign countries went on favourably throughout 1947 and most of the local shipping concerns whose steamers were plying regularly between here and British, Canadian, European and American ports made substantial profits. The liveliness in trade between the Colony and the United Kingdom and the United States, which became pronounced in the early part of last year, has been maintained throughout 1947.

As trade with Canada and Australia fell somewhat away towards the end of last year, shipping business also slumped since then. The liveliness in shipping between here and Canada for the first three quarters of 1947 was attributed to the hauling of large quantities of U.N.R.R.A. supplies for China.

Majority of ocean-going ships arriving here from Europe, Canada, America and Britain in 1947 were fully loaded, but on their return trips they often left here with holds half empty. However, they managed to pick up additional cargoes in other Far Eastern ports, such as Singapore and Manila, and were fairly well loaded when reaching home.

Owing to disturbances in Netherlands Indies and Indo-China throughout the last year, shipping between here and these countries was very dull in 1947. Vessels plying on these lines were hardly able to make profits. With the political situation in these two countries showing good signs of improvement local shipping companies are all looking forward to satisfactory business in 1948.

Following several trial runs by specially chartered ships between here and Korean ports as from March 1947, shipping with Korea improved and was strengthened. Local shipping companies are very keen to operate regular services to Korea and hope the American authorities in S. Korea will soon lift the barter trade regime. Shipping between here and Japanese ports will increase considerably in 1948.

Hongkong Foreign Shipping.

The Colony's foreign shipping (ocean-going vessels) in 1947 made a remarkable advance. A total of 2,657 sea-going vessels aggregating 7,175,959 tons entered the harbour from abroad in 1947 as compared to 1,556 ships totalling 4,117,553 tons in the previous year. This showed an improvement of nearly 75 percent in 1947 over 1946 figures. A breakdown of the last two years' figures showed that in 1946:—152 ships (492,189 tons) entered the harbour in the first quarter; 336 ships (956,759 tons) in the second quarter; 496 ships (1,265,581 tons) in the third quarter; 572 ships (1,403,024 tons) in the last quarter; while for 1947, the figures were: 632 ships (1,699,557 tons) in the first quarter; 720 ships (1,878,628 tons) in the second quarter; 669 ships (1,819,613 tons) in the third quarter; and 636 ships (1,778,161 tons) in the last quarter.

Coastal Shipping.

Shipping to Chinese coastal ports was unprofitable in 1947. The ban by the Chinese Government on foreign vessels in China's coastal and inland waters afforded foreign shipping firms limited opportunities and almost every foreign shipping firm engaged in operation from here to Chinese coastal ports sustained losses in 1947, which was mainly due the Chinese shipping restrictions, the import-export restrictions, the deteriorating political situation in China, illegal demands, blackmail, piracy, inflation and the pauperisation of the masses.

In prewar days European shipping firms line Jardine's and Butterfield & Swire operated regular services between here and Swatow, Amoy, Foochow, Shanghai, Weihaiwei, Chefoo, Tientsin, Chinwangtao and other ports. They were allowed to call on, load and unload cargoes and passengers, in every port. But today they are prohibited from loading and unloading in more than two ports. Foreign ships now sailing from here to Shanghai via Keelung, to Swatow or to Tientsin are hardly able to obtain enough cargo and passengers to cover the cost of each trip.

Dull Trading with China.

The outlook at the moment is not encouraging in the least; trade between China and the world is steadily dropping and internal conditions in that country show no sign of a turn for the better. Under such conditions shipping must suffer as it is after all commercial trade which sustains shipping business. As imports and exports of China decrease less shipping space both on the foreign and coastal runs will be required. Much available tonnage has already been diverted to other parts of the world and this development is likely to continue.

Another serious factor has made shipping out here a much more trying proposition: Chinese Customs and other authorities in Chinese ports have imposed fantastic fines on foreign shipping firms when they discovered aboard ships some contraband cargo which belonged to passengers or the Chinese crew. In addition the dangers of strong gangs of pirates attacking vessels on the China coast, attempts at collecting illegal protection fees, anti-foreign agitation, etc. may lead to a considerable reduction of foreign shipping to China ports.

River Traffic.

The Colony's river traffic—chiefly between here and Canton and Macao—continued steady for the greater part of last year with British and Chinese shipping accounting on the average for 80% and 20% of the total tonnage. Towards the end of last year, shipping between here and Canton was consider-

ably curtailed due to terroristic activities and the demands made by the Chinese Pilots' Association in Canton according to which all ships from here to that port should pay the unreasonable sum of \$200 per trip up the Pearl River. This sum must be paid in H.K. currency which is illegal in itself since the money is to be collected in Canton.

JUNKS AND STEAM LAUNCHES

In 1947, 2,411,870 tons of trading junks and launches under 60 tons each entered from and left for South China river ports and Macao, bringing into and out of the Colony a total of 545,583 tons of commercial cargo. When compared with the 1946 figures, the total tonnage of vessels showed an increase of 585,695 tons or 32 percent, but the tonnage of commercial cargo recorded a drop of 3,581 tons, or 0.6 percent.

Following are the quarterly returns of motor and sailing junks and launches, under 60 tons each, in foreign trade in 1947:

ARRIVALS

1947	Tonnage of Vessels		
	Launches	Junks	
1st Quarter ..	12,180	239,257	
2nd Quarter ..	9,439	308,646	
3rd Quarter ..	12,108	302,726	
4th Quarter ..	13,188	311,237	
Total ..	46,915	1,161,866	

1947	Tonnage of Cargo		
	Launches	Junks	
1st Quarter ..	1,399½	69,608	
2nd Quarter ..	495	73,680	
3rd Quarter ..	574¾	71,926	
4th Quarter ..	223¾	81,888	
Total ..	2,692¾	297,102	

DEPARTURES

1947	Tonnage of Vessels	
	Launches	Junks
1st Quarter ..	11,839	259,218
2nd Quarter ..	9,649	290,147
3rd Quarter ..	11,759	306,390
4th Quarter ..	13,609	300,478
Total ..	46,856	1,156,233

1947	Tonnage of Cargo	
	Launches	Junks
1st Quarter ..	2,755	83,983
2nd Quarter ..	435¼	66,185
3rd Quarter ..	530½	47,724
4th Quarter ..	553½	43,622
Total ..	4,274¼	241,514

COMMERCIAL CARGO

Deadweight of Commercial Cargo for 1947:
(in thousands of tons)

Month	Discharged	Loaded
January ..	190	83
February ..	185	55
March ..	250	77
April ..	166	70
May ..	227	75
June ..	161	65
July ..	203	62
August ..	178	62
September ..	143	74
October ..	195	74
November ..	193	84
December ..	159	69
Total ..	2,250	850

The monthly averages for 1947 for commercial cargo discharged and loaded by sea-going vessels are respectively 187,000 and 71,000 tons.

OCEAN & RIVER STEAMERS

— for the twelve months of 1947 —

	Total Tonnage		Passengers	
	Arrivals	Depart	Arrivals	Depart
January ..	684,536	645,060	48,826	48,469
February ..	511,688	537,219	47,971	34,709
March ..	635,177	593,925	44,106	43,811
April ..	680,513	673,372	49,468	43,333
May ..	680,279	695,278	47,207	47,768
June ..	669,982	692,875	43,989	40,144
July ..	656,245	648,292	47,743	41,173
August ..	706,954	727,043	56,296	53,139
September ..	731,574	709,911	63,945	64,857
October ..	721,699	745,699	59,030	52,727
November ..	689,867	708,063	51,185	49,972
December ..	667,935	678,884	50,845	47,856
Total ..	8,036,449	8,055,621	610,611	568,008

For the 12 months of 1947:—Total tonnage entered from and left for abroad 16,092,070 tons. Total passen-

gers 1,178,619. Monthly average for 1947:—1,341,006 tons; 98,218 passengers.

COMMERCIAL MARKET REPORTS

CHINESE MERCHANTS' DISSATISFACTION WITH TRADE RESTRICTIONS

PROPOSALS FOR CHANGE BY HONGKONG CHINESE CHAMBER OF COMMERCE.

At the request of its members the Hongkong Chinese Chamber of Commerce held an emergency meeting on January 16 to discuss the formation of a special committee for studying and devising a formula to be submitted to

the Executive Yuan in Nanking and the South China Regional Committee of Export-Import Board in Canton asking for a revision of the Chinese trade and exchange restrictions. All branches of its member commercial firms attended the meeting under the chairmanship of Mr. Tung Chung-wei. A 17-man special committee was appointed to collect views of Chinese merchants here and to for-

mulate the petition to Nanking and Canton. The special committee is composed of Messrs. Tung Chung-wei and Kwok Chan (Chairman and Vice Chairman respectively of the Chamber); Hui Yueng-shing, Lui Yam-shun and Choi Tsing-yan (general importers, exporters); Chiu Yui-wa and Li Man-ki (paper merchants); Fan Kung-chai (dyestuffs); Chan Ching-to (electric appliances); Chan Yau-yiu (cloth); Chan Chung-chee, (provision stores); Yung Sai-fong (representing native dealers of Nam Pak Hong); Chau Wai-chuen (metals); Kan Chi-man (timber); Yeung Ngok-fai (leather & hides); Ko Chuek-hung and Jimmy Wong (Western medicines).

MEASURES FOR IMPROVEMENT OF POSITION OF SEAMEN

With a view to eliminating the contractor system which has been the cause of many disputes over wage scales between local shipping companies and seamen, responsible union and labour quarters have proposed the establishment of a Tripartite Maritime Board. The proposal has been under close study of the respective authorities and its formation may be expected in the near future.

The proposal was initiated by the Hongkong Branch of the Chinese Seamen's Union which complained that the majority of Chinese seamen have been unscrupulously exploited by contractors who often collected as much as 50 per cent of a seaman's first month's wages as the so-called introduction fee for securing an employment, after which they took between \$5 and \$10 a month regularly from seamen for retaining the employment.

The contractor system has been in existence for a great many years not only in shipping but also in local dockyards, other big industrial establishments. Prior to the outbreak of the Pacific War such Chinese contractor system even existed in England and other European countries as well as in Singapore, Siam, Indo-China, and other Far Eastern nations.

After the war, England and Singapore have done away with the Chinese contractor system in the shipping field, though this system still exists in other industrial branches in these two places. Following abolition of the contractor system, a seamen's employment section was set up in Singapore's Harbour Office which has since been helping shipping firms in recruiting seamen free of charge.

To avoid difficulties in obtaining services of seamen, local shipping companies especially those managed by Europeans introduced the contractor system many years ago. There are many big and small contractors operating in the Colony with their offices usually established in boarding houses,

who maintain close connections with local shipping companies.

Tripartite Maritime Board.

It has not yet been decided upon by Hongkong Govt. whether an Ordinance will be necessary to prohibit the institution of contractor system. Should such an Ordinance be introduced and become law, hundreds of contractors operating in the Colony will have to cease to make a living on labourers and thousands of labourers and seamen will receive better individual pay. It is certain, however, that the Tripartite Maritime Board will be set up as a means to solve the wage scale disputes which often crop up in shipping.

During his recent visit to the Colony, Mr. E. W. Barltrop, Labour Adviser to the Secretary of State for the Colonies, studied the draft proposals for the formation of the Tripartite Maritime Board, and he expressed support for it stating also that the contractor system should be done away with altogether. The Tripartite Maritime Board will consist of members of the local shipping companies, representatives of the Seamen's Union and the Labour Commissioner.

Shipping Ordinance.

A new Shipping Ordinance will be drafted shortly and introduced into Legislative Council for debate. It will chiefly aim at enforcing regulations governing shipping services within the territorial waters of the Colony and arrivals and departures.

Local shipping circles who have been sounded out for their opinion regarding the introduction of the Ordinance expressed concern about the possibility of additional expenses to be borne by companies. Government, however, is gradually introducing more regulations and laws in line with the national policy of the Labour Government in Britain.

The special committee will now be gathering opinions and suggestions within their respective fields which will in about two weeks be tabled for discussion at the next Chamber meeting at which definite suggestions will be drafted.

Demands By Traders.

The last Chinese Chamber's meeting was held in line with and support of the movement initiated by the Canton Chamber of Commerce which requested the dissolution of the Export-Import Board's South China Regional Committee and the abolition of all import-export trade and exchange restrictions.

Numerous arguments in favour of and against the trade embargoes were put up by the participating members of the Hongkong Chinese Chamber of Commerce at its last meeting. The majority expressed itself against the trade controls insisting that the Chinese official restrictions have brought serious damage to the merchants not only in Hongkong but also in Canton and North China.

A leading trader in Hongkong and spokesman of the majority of local exporters & importers stated:—"It is impossible for merchants to engage in normal and legitimate trade between here and Canton under the existing trade restrictions and industrial establishments in China are facing starvation of raw material supplies and the imminent danger of total collapse and closure. If the trade and artificial exchange restrictions are to be continued, and the Export-Import Board remains in Canton all merchants in Hongkong will cease trading with China and the factories in China will subsequently have to suspend operation. Local Chinese traders are of the unanimous opinion that the Export-Import Board must be dissolved and all trade restrictions abolished forthwith."

Some merchants were, however, in favour of trade controls arguing that it was the national policy of the Nanking Government to institute trade restrictions to prevent the country from economic disintegration, and otherwise to help

the native manufacturers to sell his goods in the country. They suggested that the Board should be allowed to continue functioning, but it should revise the more unreasonable embargoes and allow merchants legitimate profits through normal trade channels between abroad and China and thus enable factories in China to receive all essential materials for production.

Proposals by Hongkong.

From all the arguments aired in advance by leading members of the Chamber charged with collecting opinions from their respective circles it appears that the Chamber at its next meeting will not go so far as to request the Nanking Government totally to dissolve the Export Import Board's operations in Canton.

Eventually a compromise proposal will emerge from the melting pot of outraged Chinese traders here. After all, while everybody in business understands the reasons for the tightening of China's trade controls and appreciates the difficulties and problems facing Nanking, the overseas Chinese cannot expect to be exempt from the consequences of the adverse economic condition of China. Either one's business is not at all or only to a small degree concerned with China's imports and exports, in which case the mounting crisis in China may not financially affect merchants outside that country, or one has the misfortune of having built up one's business on the China trade; in this eventuality there is little to be done but riding out the ever mounting waves of economic perils, hoping for the best but be prepared for the worst.

All petitions and suggestions, formulas and what not cannot alter Nanking's course; least of all requests from Hongkong merchants. They are already suspect of sympathising, even financially supporting, the opponents of the Kuomintang; in fact, many prominent and very wealthy Chinese merchants and innumerable small traders in Hongkong as in Singapore, in San Francisco and in every other trading place where overseas Chinese reside, have openly sided with either the dissident Kuomintang, the various liberal and democratic parties and also with the Communists.

No doubt, suggestions to be made by Hongkong's frustrated commercial community either through the Chinese Chamber of Commerce or any other Chinese organisation or individuals will be studied in Nanking and some reassuring words will be released eventually. It is, however, deeds and not words which overseas Chinese traders demand and in this they have found fullest support and understanding not only from their own countrymen in Canton, Nanking etc. but also among European and American business men whose sole aim it is to buy from and sell to the Chinese people.

FOREIGN TRADE REGULATIONS OF FRENCH INDOCHINA

Foreign trade and exchange controls in French Indochina are exercised by the Department of Economic Services of the Government of French Indochina in Saigon and the Exchange Control in Saigon respectively.

IMPORTS INTO INDOCHINA.

(1) Imports from France and countries of the French Empire (the Franc area).

(A) Commodities which can be freely purchased in France and the French Empire do not require for importation into Indochina any permits, however, they are subject to price control and, in case of qualifying as essential commodities, are also subject to retail distribution according to the schedule of the Government at Saigon.

(B) Commodities which are sold in France and the Empire against "*Bons Matiere*" (a means of exchange in terms of metal weight) are treated as follows:—France allocates for Indochina quarterly or annually a certain amount of *Bons matiere* which may be taken up by importers in Saigon who have to submit offers. Distribution of the *Bons matiere* is made to about 80% to the Associations of Importers and to about 20% to individual firms (non-members of the various associations). These individual firms obtain their *Bons matiere* from a govt. department, viz the Dept. of Commercial Services and Rationing (Direction des Services Commerciaux et du Ravitaillement, No. 41, rue Lefebvre, Saigon).

(2) Imports from foreign currency areas (sterling, dollar etc. areas).

It is essential that foreign firms wishing to trade with Indochina appoint a representative or agent in Saigon. The Chamber of Commerce, Saigon, has been of great assistance to foreign traders in this respect and publishes periodically the names and addresses of foreign firms who are interested in business with Indochina for the convenience of commercial companies in Saigon.

All wholesale and retail prices of imported commodities are price controlled by the Govt. and may only be disposed of according to the ceiling prices established by the Dept. of Economic Services.

The Dept. of Economic Services never purchase themselves, they only issue import licences. In case of an official offer being made by a foreign government to the Dept. of Economic Services, a private trading firm will have to be found who are able and willing to buy from the respective foreign government. However, as in most cases Saigon importers have their foreign connections such official sale offers are only rarely entertained by private traders.

(A) Imports into Indochina from countries other than the French franc area are subject to the approval of the Indochinese Import Plan by the French Govt. Usually Paris modifies only a few items of the Import Plan after its submission by Saigon. Subsequently, the Indochina Govt. allocates foreign exchange to every sector contained in the Import Plan according to the currency areas (£, US\$ etc.). Importers then submit their requirements to the Dept. of Economic Services who allocate about 80% of all available exchange to the Importers' Associations, and about 20% to individual merchants (non-members of associations).

It is important to note that foreign exporters who apply directly at the Dept. of Economic Services, Saigon, will mostly not obtain satisfactory results owing to the following conditions: (i) offered commodities for importation into Indochina may not be included in the Import Plan, (ii) imports may have been included but the French Govt. has not been able to allocate exchange, (iii) exchange may have been allocated but has been exhausted already.

(B) Imports on a Barter Basis, between the Indochina and a foreign government usually, may be granted for a very limited range of capital equipment and consumers' goods (as in the case of machinery for rice mills from Italy; office equipment from Sweden). Such bartered imports may be regarded as complementary to the over-all Import Plan. The procedure for granting of import licences is the same as under A.

(C) Emergency Imports.

In rare cases import licences are granted when the emergency nature of such imports can be proved. In such instances importers in Saigon submit their applications to a weekly Commission and may, in case of a favourable result, purchase the necessary amount in foreign exchange from the Exchange Control of Govt.

EXPORTS FROM INDOCHINA.

(1) Exports to France and countries of the French Empire (Franc area):

Free.

(2) Exports to foreign currency areas (sterling, dollar etc. areas).

All proceeds from export bills have to be remitted through the Govt. Exchange Control with the exception of very few commodities (broken rice, wood, cement) the export bills of which may be retained, to a certain percentage, by the exporters.

The following are Prohibited Exports :—all imported commodities; vegetable oils and fats.

The following are Special Exports:—Rice and rice products which can only be exported according to the regulations of the International Emergency Food Council, Washington; the handling of exports has been entrusted to 11 exporters who are all members of the Cereals Committee (Comite des Cereales), Saigon.

Rubber: free trade.

Procedure for Export Licences:—All applications have to be sent to the weekly Commission of Govt. (the same Commission which decides on the grant of Emergency Imports) who consider them in the light of the domestic supply position in Indochina, and the proposals by exporters as regards surrender of foreign exchange and type of foreign exchange obtainable.

Remark:—Chinese medicines are granted import licences up to a limited amount fixed by Dept. of Economic Services as the only exception from the rule "No import licences without the granting of foreign exchange."

These medicines are granted to Chinese residents in Indochina by the Chinese Consul and the import licences are issued without any allocation of foreign exchange.

HONGKONG RE-EXPORTS TO UNITED STATES.

During recent weeks Hongkong re-exports of native produce from Malaya, Siam, Indochina, Borneo, China and other Far Eastern countries to the U.S. have been on a brisk scale. Tung oil shipments in drums or tanks (bulk) remain the leading single item but black and white pepper has of late figured prominently as several thousand bags per shipload were exported by a number of local companies to clients in New York. Other Hongkong re-exports to New York:—aniseed oil, cassia bark and oil, egg albumin and egg yolk, gallnuts, medicinal herbs, menthol, rhubarb, sesame seed, teawaste, wolfram ore, graphite ore, etc.

Parts of consignments have been detained in U.S. ports by the Food authority upon inspection like in the case of cassia oil, pepper, etc. Some bales of cassia were found insect infested, cassia oil contained rosin and heavy metals, a number of bags of black pepper were found to be filthy, showing excess siftings and pickings; sesame oil was often found decomposed in the drums, some bags of sesame seeds contained dead insects. Hongkong exporters were advised to take greater care when inspecting their cargo for shipment abroad.

TRADING WITH SOUTHERN KOREA

The U.S. Military Govt. in Korea (USAMGIK) is listing, for the benefit of Korean and foreign traders, all those commodities in which commerce is permitted and encouraged. Such lists are periodically revised. The authority for listing and revising of import and export commodities has been vested by USAMGIK in the Department of Commerce of the South Korean Interim Govt., Seoul.

A list of commodities whose import into or export from Korea is encouraged and a list of commodities whose import into or export from Korea is not at present permitted was published in our issue of Oct. 15, p. 480.

Private trading conditions with S. Korea were reviewed in our issue of November 12, p. 583.

The following list contains the latest additions or deletions of S. Korean imports and exports:—

APPROVED IMPORTS

Rice, grains, flour;
Rubber (raw—smoked sheets);
Cotton (raw, thread, yard)—purchase and distribution controlled by Textile Section, Department of Commerce, South Korean Interim Government;
Fertilizers; petroleum and petroleum products;
Raw hides; raw materials for matches;
Raw materials for light bulbs;
Vegetable oils;
Wood, timber, and bamboo;
Raw Manila hemp;
Sulfite pulp; newsprint; paper;
Coal; coke;
Tin and aluminum;
Sheet metal;
Raw wool;
Salt, purchase and distribution controlled by Monopoly Bureau, South Korean Interim Government;
Carbon black; industrial chemicals; dyes;
Cotton piece goods; wool piece goods;
Seeds for agricultural uses;
Window glass;
Cement;
Needles, machine and hand;
Electrical materials and fixtures;
Trucks, 1 ton and over;
Medicines, controlled by Bureau of Pharmaceutical Affairs, South Korean Interim Government.

APPROVED EXPORTS

Marine products: Agar-agar, laver, dried fish, and fish livers.
Fruits and nuts: Apples (limited amounts), pears, chestnuts, and pineuts.
Ores and minerals: Molybdenum, manganese, cobalt, kaolin, talc, graphite, zinc ore, beryllium, fluorite, silica sand, pyrophyllite, Monazite, asbestos.

Handicrafts: Lacquer ware, grass-ware, embroideries, art work, potteries and clay manufactures.
Silk (raw and manufactured).
Furs.
Buttons and blanks.
Ginseng.
Hemp seeds.

Tungsten concentrates have been removed from the approved export list. In the future the Government will handle all exports of tungsten concentrate.

METALS AND MINERALS

MOLYBDENUM

The largest molybdenum mines of China (there are, however, no proper estimates possible about molybdenum resources in China) are situated near Chihsi, 25 miles west of Hulutao, in Liaoning. In the recent Communist occupation of the area these mines were destroyed. Arrangements are said to have been made to restore activity at the mine by 1948. The mine's machinery has been removed and its pits blasted. Output will be greatly restricted indefinitely.

WOLFRAM

The U.S. Army holds some 3,500 tons of wolfram which may, at least partly, be dumped on the market as the stockpile is considered too large. The market trend is downward and only Soviet purchases keep the current high level up.

Korean wolfram mines, under control of the U.S. Military Govt. in Korea (USAMGIK), are very productive. Part of the South Korean production goes into American industry (the hardening of one ton of steel to a certain degree, especially used in war industrial production, requires about 13 pounds of wolfram or tungsten) while the rest is sold on the market and proceeds allotted for USAMGIK purchases (imports for South Korea).

Domestic mines in the U.S. produce about 40% of industrial requirements and mine owners are interested in keeping the price as high as possible which, as a consequence of abundant Korean supplies, would be impossible now. Only by selling S. Korean wolfram to the Soviets—a procedure most repugnant to the anti-Soviet bloc as it means supplying the USSR with a strategic metal—can the market price be rescued. The Soviets had, therefore, to be offered adequate tungsten supplies which were taken up by them at the top market price of New York.

TIN

The tin industry in Malaya has made rapid progress in the past few months and production for September at 3,553 long tons of ore is over 130 percent higher than the March figure. Since September the number of men and horsepower of machinery employed has shown a sharp rise and within the next three months tin production will show a further big increase. The September output compares with 3,497 tons of ore in August and 3,360 in July.

The number of tin mines operating at the end of September was 439, compared with 382 at the end of July and 293 at the end of April. At the close of September, 49 dredges were operating against 42 at the end of June and 29 at the end of April. Exports of tin ore and concentrates had risen from 2,000 tons in April to 3,619 in September. Total exports from July through September were 10,234 tons, against 7,918 tons in the preceding quarter.

The recent increase of £73 in the British tin price to £510 a ton agrees with more moderate expectations. Forecasts ranged from £70 to well over £100 a ton, based on rumours of the new US-Bolivian contract price. Malayan producers have been complaining of higher production costs, and requested an increase in the British purchase price. If a higher price could induce a proportionately larger output, a price increase would be sound policy. But the limiting factors to any large-scale expansion in Malayan production are technical rather than economic. It is not merely a higher price that is necessary, but also a more adequate supply of capital equipment, coal and consumer goods, which at the moment cannot be provided.

The world tin market is artificial; supply is short and demand is restricted by international allocation. But the price is still dependent on the marginal producer—Bolivia. The decision of the United States Government to maintain the Texas smelter in operation has tended to concentrate its demand more on ore than upon the metal. Nigerian and Malayan ore supplies are treated by Empire smelters, and since only small quantities of ore are as yet available from the Netherlands East Indies, America is forced to bargain with the low-grade Bolivian producers and equally forced to acquiesce to their demands for a higher price—if the Texas smelter is not to be starved of raw materials. The 1943 price has not yet been published, but reports have suggested an increase from 76 cents a lb. (equivalent to £422 a ton) to 90 cents and even \$1.07 a lb. (£500 and £595 a ton). The British contract with the Patino group allows for a revision of price to conform with the American purchase price of other Bolivian ore, and the prices for Nigerian and Malayan tin have to be similarly adjusted.

The most important factor which the tin industry has to consider, however,

is the development of tin substitutes. In the United States substitution is being stimulated by the official allocation of tin metal to consuming industries to eke out the shortage of supplies. The motor-car industry, for example, used about 7 lb. of tin for each vehicle before the war, but is now able to use less than half this quantity. When larger quantities of tin are available the price may have to fall sharply before this and other industries will be induced to give up the substitutes they may have developed. A higher price for tin ore may give tin producers certain immediate advantages, but it may also have long-term repercussions on consumers' demand.

Malayan producers, however, contend that the new price of tin was still too low and that it would not allow Chinese mines their present production level. However, production of Chinese mines in the first quarter of 1947, when the Malayan price stood at £370 a ton, totalled only 400 tons monthly. In September, when the price had advanced to £423 a ton, production totalled over 1,000 tons.

Malayan output is still far below normal. In 1940 the states turned out 85,000 tons. The 1947 total production is estimated at 22,000 tons and for 1948 at about 48,000 tons. Production has risen from around 1,100 tons a month in the first quarter to 3,000 tons a month in the second and third quarters.

During the war, when Far Eastern tin was unavailable, Bolivia was the world's biggest single producer. Over the past few years, Bolivian output has averaged between 38,000 and 42,000 long tons annually. Last year's production is estimated at 32,000 tons.

EXPORTS OF CHINESE NATIVE PRODUCE THROUGH CANTON

from July to December 1947

GOVERNMENT TESTING BUREAU, CANTON

Commodity	Quantity (in metric tons)	Value (millions of Chinese dollars)
Raw Silk ..	95	1,317
Beans ..	3,371	1,603
Cassia Bark ..	591	4,448
Tea ..	687	5,448
Tobacco Leaf ..	56	96
Wood Oil ..	8,881	116,507
Bristles ..	109	8,609
Eggs ..	1,600	15,007

LOCAL PRODUCE PRICES.

(In Hongkong dollars, per picul of 133.33 lbs., ex dealer's godown, last week's averages):

Wolfram 65%, 360; Tin from Yunnan 430; Antimony not quoted.

Cassia oil 1,230; Tung oil 144; Sesame oil 280; Peanut oil 172; Rape-seed oil 129; Teaseed oil 136; Cocoa-nut oil 126.

TUNG OIL MARKETS.

The New York market remains, from a local point of view, consistently low with 26 to 26½ cents per lb. offered. During recent months the highest price obtained for oil in drums, in carlots, was 27½ cents, while small quantities recorded a maximum of 28½ cents. The American market consumes per month between 8 to 9½ million pounds and imports for Jan. to Aug. 1947 totalled 86,121,000 lbs. The outlook for a higher price is, in view of more than adequate supplies for a non too enthusiastic market, not encouraging.

Hongkong and China exporters cannot expect any change for the better for some time to come. The growers and mills in the interior may, if the official open market rate is not brought into line with the unofficial exchange rate for the U.S.\$, be unable to carry on their trade. There is no objection by most producers to the Chinese Govt. buying their oil (through Central Trust of China) but prices offered by Govt. in a steadily deteriorating domestic market are not acceptable.

Tung tree planters and small crushing mills are very much dissatisfied with the declining yield for their produce which is a consequence of the official interference and blocking of exports except at artificial prices. If the producers and the trade could obtain the full value of their oil as paid by consumers in New York, London, etc., there would be no complaints. As it is, however, the trade can hardly carry on. Those who make profits are the transportation firms, middlemen, protection gangs, Govt. officials.

Soybean-Tung Oil Blends.

Various blends of soybean oil and tung oil have in the U.S. been studied as to their value as a varnish vehicle, in comparison with several types of linseed oil as standards. The proportions of soybean and tung oils were 80:20, 60:40, and 40:60. Both cold mixed and polymerized blends were made of all proportions. The oils were thinned with mineral spirits and naphthenates were added as driers.

The 80:20 blends were found to give films that were too soft, their hardness being zero even after 295 hours. The 40:60 blends gelled when cooked at 575 degrees and 600 degrees; at 550 degrees they had a hardness of 4. The 60:40 blends had a hardness of 2 at 295 hours for all cooking temperatures. Most of the blends had a bodying time less than alkali-refined linseed oil and a lower gas number. Their refractive indexes were a little lower. The cold bodied blends softened on aging.

More work on the subject is contemplated to supplement conclusions that (1) mixtures of soybean and tung oils can be boiled to the equivalence of bodied linseed oil in drying properties; (2) the two oils may be either pre-

bodied separately or bodied together, but the former procedure leads to softening; (3) the lower bodying temperatures produce the better drying properties; (4) combinations containing 80 percent of soybean oil have relatively poor drying properties.

CAMPHOR.

The Chinese Government is attempting to rehabilitate the camphor industry on Formosa. The industry at present is at a standstill because of reorganization and the internal disturbances. At the Japanese surrender, 1,000 tons constituted the stockpile. The peak production on Formosa was 11,300,000 pounds in prewar time. Of the 1,000 tons stockpile, some has already been moved to various allied countries but a recent estimate was that at present there remains about 500 tons unsold, but other reports give a far lower figure.

The Chinese Government has programme of rehabilitation under way with the intention of returning natural camphor to the world market. However, since that article last sold to the world prior to War synthetic camphor production has made enormous strides, and it is therefore unlikely that the Chinese can restore more than a small part of the Formosan camphor trade in prewar times.

MENTHOL OIL.

No stocks of natural oil of mentha arvensis or the so-called Japanese pepper mint oil from which menthol is obtained, are now available on Formosa. Estimates of the acreage devoted to the cultivation of the mint unobtainable. The official Taiwan Chemical Industry Company reported that only a very small amount of the mint was being produced by that organization and was being used entirely in the manufacture of menthol, while additional requirements of the islands were met through imports from the Chinese mainland. Exports from Shanghai are very small and the price is very dear. Landed cost in the U.S. about U.S.\$ 9 to 9½ per pound.

CHINESE GOVT. MONOPOLY OF RAW COTTON AND COTTON GOODS.

The establishment of the Nanking Govt. cotton monopoly (vide our issue of Dec. 24, p. 728) is now in progress of organisation in the face of protests by private mill owners and traders. The monopoly is vested in the National Commission for the Regulation of Cottons, Yarns and Textiles (which will fix import, export and domestic prices of raw cotton, piece goods, yarn) and the Cotton Control Board (which will be the exclusive importer of raw cotton and source of supply to the millowners, authority to fix production levels and distribution of products both for domestic use and exports).

PRODUCE MARKETS IN NEW YORK.

Rhubarb is available in larger quantities than required, imports of the root from Shanghai and Hongkong have been excessive recently. Hongkong has been offering more roots.

Cassia buds sell around 23 to 24 U.S. cents per lb., selected rolls 12 to 12½ cents. Supply position is very good.

Anise oil is in adequate supply from Hongkong and China and prices range according to quality from 65 to 95 U.S. cents per lb.

Cassia oil is in good demand but Hongkong offerings are too small. Prices are on the strong side with U.S.\$ 2.40 to 3.75 paid per lb.

Rapeseed oil, refined, in tankcars is selling around 32 cents per lb. Soybean oil, refined, tankcars, 27 cents, crude between 23 to 24 cents.

Musk from China is completely out of the picture, all supplies on the market are synthetic products, viz. Retone, Xylol and Ambrette, selling respectively at U.S.\$ 4¼/5¼; 1.20/2; 8/14.

Pepper, black, arrivals from Hongkong are regular and heavy and prices are, owing to high Indian quotations, advancing. Indian crop appears to be much lower than estimated. Spot sold last week at 45 cents per pound, forward rates 40½ cents for March, 39 May (all bids).

Egg Albumen supplies remain small with nominal prices at U.S.\$ 2.80 to 3 per lb. Stocks have decreased. Shanghai and Hongkong offerings are sparse. Egg Yolk position is similar, with stocks in firm hands and demand not willing to pay current high prices. According to quality sellers demand U.S.\$ 1.20 to 1.30 per lb. Inquiry for albumen and yolk is insistent.

China Bristles: f.o.b. New York, per lb., U.S. 3.30 to 4 for Hankow regular assortment, 1.95 for Chungking, 1.80 Shanghai, 4.20 Tientsin short, and 6.30 Tientsin regular 55's.

Essential oil prices per lb., f.o.b. New York: U.S.\$ 0.95 to 1.15 for aniseed oil, 2.50 to 3.25 for cassia oil.

Agar Agar \$3.95 to 4.65 per lb.

Metals and Minerals:

Antimony 99½% in bulk of carload lots U.S.\$ 0.33, Tin 0.94, powdered Tungsten 98-99%, 3.05 (all per lb.). Chinese wolfram ore containing tungsten trioxide, f.o.b. New York U.S.\$ 0.29 to 31 per short ton, import duty paid. Beryllium 10-12%, \$16 to 18 per ton. Molybdenum 90%, \$0.45 per lb.

EXCHANGE & FINANCIAL MARKETS

THE CANTON OUTRAGES

The local and China exchange markets were slightly disturbed by the incendiaryism of the ravening mob in Canton which last week exhibited its bellicose and provocative "patriotism" by destroying the British Consulate General building, burning a few other buildings of British companies and manhandling Europeans, part of whose houses were also looted. The acts of barbarity committed by a crowd of many thousands, incensed by mendacious propaganda from the ultra-nationalists' over-all headquarters, have aroused much indignation here and abroad; the repercussions of the Canton outrages, and the spirit of pogrom which has been revealed, will long be felt in spite of official endeavours to explain them away and blame everybody but the irreconcilable wirepullers of Chinese aggressive ultra-nationalism.

BARTER TRADE AND LINK SYSTEM IN CHINA

The National Economic Council, Nanking, the policy making body of government, has proposed to Executive Yuan to adopt state barter and the link system as a means to nationalise the foreign trade of China. The eventual operation of a foreign trade monopoly is advocated by the right wing of Kuomintang and efforts are made to convince the Nanking Govt. that, in spite of objections by the U.S., this course would prove of benefit to the economy of China.

The state barter, as now seriously proposed and under deliberation in Nanking, would provide for the linking of exports of certain China produce and manufactured goods against foreign commodities, viz:—(1) Trade with the U.K.—linking of certain quantities of Chinese furs and skins, eggs and egg produce, vegetable oils and beans with British capital goods, industrial and fine chemicals. (2) Trade with the U.S.—Chinese tung oil, bristles, wolfram, skins and hides, silk and minor native produce against U.S. industrial machinery, communication equipment, vehicles and vessels, wheat flour, raw cotton. (3) Trade with Japan—Manchurian soybeans, Taiwan sugar and salt, against Japanese machinery and tools. (4) Trade with Far Eastern countries and India—linking of Chinese manufactured goods, mainly textiles, with Indian raw cotton, Far Eastern rice and other foodstuffs.

Private trade will have to co-operate with Govt. by suspending independent business in those imports and exports which come under state barter, i.e. almost all available Chinese export commodities and permitted foreign imports.

Rates for CN\$ showed temporary firmness under the impression of a flood of menacing propaganda which in Shanghai and Canton called for the "Anschluss" of Hongkong. There were also some hypernervous people here who bought US\$ notes which brought the price almost up to the TT rate. However, all excitement was shortlived and exchange markets carried on as usual at the beginning of the current week.

GOLD MARKETS.

Business was slack and prices remained on the whole around the \$10/315 level. Demand from Canton (and Hankow) dropped. Shanghai was plagued by prowling economic and secret police whose raids and arrests of foreign and Chinese brokers for a time effected the suspension of trading. Speculators were reticent and inclined to reduce their stocks here.

Macao imports were about as large as during recent average weeks and new orders by the gold interests in Macao were believed to have exceeded already 250,000 ozs. (The Macao Govt. would, in this case, have already earned as gold import duty about \$750,000). Hongkong Revenue officers, who have recently made a number of successful searches (probably upon being tipped off) aboard regular motor and steam vessels on the run between here and the Portuguese Colony, seem to have caused some fright in Macao and shipments arriving here last week have been unusually small. The Macao gold price has dropped in relation to the local market quotation and is now \$15 to 20 less; however, the transport fee has risen, a result of the various seizures by the local authorities, amounting now to \$20 per tael.

The maximum and minimum rates last week here were \$327½ and 295½, equalling cross rates of about US\$ 53½ highest and US\$ 49 lowest. Canton quoted last week \$330 highest and \$302 lowest per tael, while the average cross rate in Shanghai amounted to US\$ 52 to 55 per oz. Canton's gold market rates, day by day, in HK\$ per tael, last week:—303/6; 306/14; 312/16; 314/18; 320/24; 323/29.

Shanghai's gold markets were disturbed by the police and gendarmes during the earlier part but soon everything was back to normal and transactions resumed towards the close of the weekly session; rates, day by day, for last week were, in millions of CN\$, average, per troy ounce:—10; 10½; 9½; 9½; 9½; 8½.

The local market sold on the spot market of the exchange 15,720 and about 17,000 taels were additionally sold outside the exchange.

Some interest was aroused by relatively high gold prices now prevailing in British Malaya; the Singapore ex-

change quoting around Str. \$180 to 185 per tael which would equal HK\$ 350. Some imports of gold into Singapore have been effected by local smugglers who have been able to make a good profit. Smugglers also report that gold from Bangkok is frequently smuggled into Malaya as the difference in quotations is a great incentive.

GOLD MARKET IN BANGKOK

The gold price in Bangkok during last year was, with interruptions, on gradual decline. As there is close relationship between the gold market there and that in Hongkong and Shanghai, any fluctuations in the latter places undoubtedly affect that in the former. For the period between January and April, the gold price was able to maintain its firm rate of 600 baht due to the unceasing demand for gold in Singapore and India. On account of large arrivals of gold from other places during the month of May the gold price dropped to about 550 baht. However, since the announcement of the prohibition of imports and exports of gold in Hongkong in July the rate went up for a while. At the same time Singapore quoted higher so that the Bangkok market enjoyed a shortlived boom and the price reached 620 baht. Between August and October, the gold price slumped as there was little demand. After the political disturbances in November tight money prevailed causing a further drop of the gold price.

The following are the highest and lowest gold prices for the twelve months of last year in Bangkok (per baht weight of 15 grams fine, in Siamese baht or tical):—

1947	High	Low
January	693	667
February	682	602
March	660	626
April	633	606
May	609	569
June	594	568
July	619	570
August	596	502
September	529	498
October	512	491
November	505	483
December	485	392

Last week's price moved around 495 baht. T.T. Hongkong quoted 3.64 baht, U.S. notes 17.75 baht, T.T. Singapore 6.75 baht, Indochina piastre 0.44.

UNOFFICIAL EXCHANGE MARKETS.

US\$ bank notes were in strong demand, occasioned by nervous small investors pushing up the price, while drafts and T.T. New York remained neglected. Highest and lowest rates for the week: U.S. notes HK\$ 505—490; drafts 499—490; T.T. 508—500. Cross rates US\$ 3.15 and 3.20 respectively for high and low T.T.

Indochina piastres did not move much with speculators disappointed about the long drawn out Franco-Vietnam negotiations; notes quoted between \$11½ and 12, the Ideo (red & black) notes 8 to 9.

Only 200 piastres may be brought into, or carried out of, Indochina. Unlimited amounts of United States dollars may be taken into the country, but they must be declared at customs and they may be exchanged for piastres only at a specified bank. Banknotes not declared are subject to confiscation.

Banks may buy from travellers unlimited numbers of bills of \$25 denomination, and one bill of \$50 denomination. When a traveller leaves Indochina, he may take out with him only the declared amount of foreign currency, less that exchanged for piastres.

Nica guilders, under the impact of the rather surprising truce in the Netherlands Indies, recovered some ground lost during recent months; \$28½ were paid at the close and there is much inquiry and sellers are few now that it seems that, at long last, some sort of peace has been restored in the rich archipelago.

Baht notes were dropping out of the favour of speculators but merchant demand is strong which accounts for the current rate of \$25½ to 26.

CHINESE MONEY MARKET.

The Central Bank of China has again advanced the official open market rate (banks' selling) as from Jan. 12, to CN\$ 115,000 TT New York and CN\$ 380,000 TT London, an increase of almost 30% over the previous open market rates. The sterling cross rate (official) has also advanced to US\$ 3.80.

The unofficial or black market rates in Shanghai per US\$ were last week, day by day average: CN\$ 185: 185: 180: 175: 172: 165,000. The difference between the two rates has narrowed against the previous week (about 100%) to at present between 50 to 60%. Hongkong notes quoted in Shanghai CN\$ 32,000 lowest, and 37,500 highest; while in Canton, due to the some 15% discount which Shanghai remittances suffer currently in South China, Hongkong notes quoted on the average CN\$ 27,000 to 29,000.

Highest and lowest CN\$ note rates here were last week: spot \$41¼—34; forward \$36—29½ (per one million). TT Canton was usually 10 to 15% higher than TT Shanghai (lowest rates respectively \$29½ and \$34 per one million).

HONGKONG STOCK & SHARE MARKET

The current volume of share transactions at the local exchange is not improving in spite of the easing of the money position in the Colony. It appears that a monthly turnover of \$8 million will have to be regarded as satisfactory for some time to come. The shrinkage in business on the exchange has caused some anxiety among brokers who hold that the introduction of forward settlement may inject a new tone into the market, attract certain speculative capital and, by subsequent wider fluctuations, may stimulate more lively interest among general investors. As it is today, the share market is a most conservative affair in which speculators are largely absent. Prices of practically all quoted shares have settled down many months ago and only occasional announcements of new capital issues or a bonus payment may lead to stronger demand and a better rate.

Otherwise the market remains stolidly unmoved, hardly reacting to any political or general economic developments. Against pre-war days the present average volume of business is of course much larger but this is a consequence of the higher rates quoted today following the rise in cost of living. The expansion of share listing as through the introduction of rubber shares and a few British shares which only quoted before the war in Shanghai might lead to an increase in the total turnover but preparations for the additional listing of such shares have been long delayed and only recently a number of rubber companies' shares have obtained the sanction from the Stock Exchange for official trading.

The return of brokerage fees to the pre-war scale has not met with general approval by brokers but all efforts made by the more outspoken critics were finally defeated and the reduced brokerage scale has come to stay. The investing public, banks, insurance firms, trust companies, etc. have all along claimed that a brokerage of ½% only would be desirable and the protests of many individual brokers could not succeed in the face of this popular demand. As there is no legal obligation for the public to employ a stockbroker at all, and much business has been done, and continues to be transacted, by unregistered brokers (non-members of the Exchange) and between certain principals, the return to the pre-war brokerage scale was sound policy.

Furthermore, the Exchange is trying to convince Government of the advisability if not necessity to license share-brokers and confer on the Stock Exchange official recognition as the sole organisation in the Colony to transact the sale and purchase of public companies' shares through its members. This proposal, if approved by Government and submitted to Legislative Council for the passing of an Ordinance, would automatically cut out the business of the many unregistered brokers and not inconsiderably increase the total volume of share transactions on the official Exchange. Relatively much business is done these days outside the Exchange which, if included into turnover figures as compiled from trading inside the Exchange, may convey a different impression as regards the real volume of business done. From the number of unregistered ac-

Money in Shanghai is officially tight but the influx of notes and remittances from the threatened areas in North China continues in spite of the virtual ban by Nanking on the movement of CN\$ funds within the country. In the Shanghai share market money is very easy and the present rate of interest of 22 to 26% per month is so low only on account of sufficient capital on offer. (It may sound rather illogical to speak of a 25% per month rate of interest as low but it is necessary to bear in mind the unrelenting rise in commodity prices over a period of 30 days and the advance in the official exchange rate, last week about 30%, and black market advances). If not for a steady exodus of CN\$ which comes often to Shanghai from the North for a short period of rest only the Shanghai share market would quote still higher rates than at present.

The local CN\$ spot market was very easy during the beginning of last week and large amounts were on offer.

The police in Canton has repeated its offers to share with informers in the awards received from confiscations of gold and exchange; if buyers or sellers can be apprehended or lured into a trap, the informers are entitled to 30% of the amount seized but payment will be made only in CN\$ at the official rate for gold or foreign currencies.

HONGKONG UNOFFICIAL EXCHANGE RATES (IN HK\$)

		CN\$ (per one million)										US\$ (per 100)				Pound	
		Spot		Forward		S'hai		Canton		Notes	Draft	T.T.	I.C.\$	Guilder	Baht	Note	
Jan.	High	Low	High	Low	High	Low	T.T.	T.T.									
12	307	295½	38½	37½	33½	32½	33½	36½	490	491	500	12	27¼	26½	13.4		
13	314	299½	37½	36	32	30½	30½	35½	491	494	502	12¼	26½	25½	13.4		
14	316½	308½	35½	34	31	29½	30½	34½	492	496	502	12	26½	25½	13.4		
15	316	310	36½	34½	33½	32	32½	35½	494	497	504	11½	26½	25½	13.3		
16	320½	312½	37	35½	33½	33½	33½	36½	500	499	508	11½	28½	25½	13.2		
17	327½	317½	41½	38½	36	33½	34½	38½	504	499	508	11½	28½	25½	12.9		

tive brokers devoting all or part of their time to share selling it would appear that, at least during certain weeks, the total turnover of shares traded in Hongkong (inside and outside the Exchange) is much larger than the regular weekly statistics reveal.

Building of Stock Exchange.

The building of Hongkong Stock Exchange which was last year for sale at about \$3½ million has not yet found a buyer. The H.K. Stock Exchange is now about to be wound up and many of its 30 members would welcome the early disposal of the building. The Share-brokers Association (which last year amalgamated with H.K. Stock Exchange into the Hongkong Stock Exchange Ltd.) sold beginning of last July its building for \$975,000 (i.e. \$250 per square foot), a very satisfactory price. The Stock Exchange building, however, would secure a similarly high price only if the spacious trading hall, a great attraction for a bank, is to go with the building. In such case the amalgamated Exchange would have to look for adequate premises for a trading hall and office space (for secretary and staff). The hope for legal recognition of the Exchange may impose upon its 60 members the moral obligation of keeping a modern trading hall. In view of the great housing shortage in Hongkong it will be necessary, for at least one or two years more and until new office buildings in the central district have been erected, to maintain the present trading hall.

SHARES OF RUBBER PLANTATION COMPANIES.

The following Rubber Plantation Companies have been registered in Hongkong:—

Alma Estates, Ltd.; The Anglo-Dutch (Java) Plantations, Ltd.; Anglo-Java Estates, Ltd.; The Batu Anam (Johore) Rubber Estates, Ltd.; The Bute Plantations (1913) Ltd.; The Chemore United Rubber Co., Ltd.; The Cheng Rubber Estates, Ltd.; Consolidated Rubber Estates (1914) Ltd.; The Dominion Rubber Co., Ltd.; Java-Consolidated Rubber & Coffee Estates, Ltd.; Kota Bahroe Rubber Estates (1921) Ltd.; Kroewoek Java Plantations Ltd.; The Padang Rubber Co., Ltd.; Renah Rubber & Tapioca Estates Ltd.; The Rubber Trust, Ltd.; Samagara Rubber Co., Ltd.; The Semambu Rubber Estates, Ltd.; The Shanghai Kedah Plantations Ltd.; The Shanghai-Malay Rubber Estates Ltd.; The Shanghai Pahang Rubber Estates, Ltd.; Sua Manggis Rubber Co., Ltd.; The Sungei Duri Rubber Estates, Ltd.; The Tanah Merah Estates (1918), Ltd.; The Tebong Rubber Estates, Ltd.; Ziangbe Rubber Co., Ltd.

Shares of the Companies are transferable in the Colony at the Transfer Offices of the Companies (J. A. Wattie & Co., Ltd.). Instruments of Transfers are exempt from Stamp Duty (i.e. \$5 embossed stamp), but this privilege will cease on March 19, 1948.

The Companies having complied with the requirements of the Hongkong Stock Exchange, shares may be quoted at the daily sessions.

Other Rubber Companies for which Messrs. George McBain and Messrs. Burkill & Co., Ltd. respectively are agents and general managers will also soon be admitted to quote their shares on the local Exchange.

* * * *

REVIEW FOR THE WEEK OF JANUARY 12 TO 16:

Less interest was evinced in the market during the first part of the week which caused a slight set-back in prices in decreased volume. But on the last two days a better demand for scrip saw a recovery of earlier losses. Volume for the period was just over the \$2 millions mark.

The outstanding news marketwise was the declaration of a final dividend by the Hongkong & Shanghai Banking Corporation of £3 net per share. This was well received as the market was not expecting more than £3 less income tax, and was perhaps the main factor causing the improved sentiment. It is noteworthy that the London price improved by £4 after the announcement.

It was considered fortunate that the news of the atrocities committed in Canton over the Kowloon City question, which could have had quite a depressing effect, temporarily, did not reach the market until after its close for the week. Thus the share market was spared the nervousness which was witnessed in other markets which remained open till later on Friday and continued on Saturday. Investors and operators were thus given time to digest the news fully before the re-opening of the Exchange next week. In case of no recurrence of the incidents, the market will not be unduly affected but will maintain its steady to firm tone prior to resumption of an upward trend.

A feature of the week was the continued rise in Shanghai Stocks particularly Shanghai Docks and Ewos both of which registered substantial gains.

The Felix Ellis' price index showed a net gain of .06 compared to the close of the previous week. Day-by-day his averages were: Jan. 12, 145.84; Jan. 13, 145.45; Jan. 14, 145.93; Jan. 16, 146.23. The high and low for 1947 were 155.82 and 123.88 respectively. The low for 1948 was 145.26 on Jan. 14. and the high 146.69 on Jan. 7.

BANKS: A fair volume was transacted in H.K. BANKS at 2.025, 2.040, 2.050 and 2.055, while BANK OF EAST ASIA had a transaction at 130.

INSURANCES: Though prices remained steady in this section only one sale was reported in UNIONS at 770.

SHIPPING: WATERBOATS old had a sale at 47 and was in demand most of the week with a noticeable scarcity of offerings.

DOCKS & GODOWNS: Business in this section was as follows: WHARFS x rts. at 153; H.K. DOCKS at 33%,

34, 34½, 34% and 34½; PROVIDENTS at 23, 23%, 23½, 23%, 23½; S'HA1 DOCKS at 22, 22½, 23, 23½.

MINING: RAUBS and H.K. MINES had sales at 5½ and .03 respectively.

HOTELS & LANDS: The following sales were reported: HOTELS at 23%, 23½, 24%, 24½; H.K. LANDS old at 80, 79, 78½, 80; S'HA1 LANDS at 6, 5½ and 5.65; HUMPHREYS at 29.

UTILITIES: Business in this section were at the following rates: TRAMS at 23%, 23½, 23%, 23½ and 24; CHINA LIGHTS old at 20½, 20½, 20½ and new at 15½ and 15½; ELECTRIC old at 52, 51½, 51, 52½ and new at 49 and 50½; YAUMATI FERRY at 30.

INDUSTRIALS: CEMENTS old had transactions at 32, 31, 32 and new at 30½. DAIRY FARMS were traded in at 61½, 60, 61, 61½ and the rights at 41, 40½ and 40. After business at 70, 69½ and again at 70 WATSONS closed with buyers at 72.

STORES: Lane Crawford had sales at 54.

COTTONS: EWOS were traded in at 14½, 16½, 17, 16½, 17 and 16½.

RUBBERS: Transactions were noticed in SEMAGAGAS at 1.45 and 1.40.

FAR EAST OIL DEVELOPMENT CO.

Stockholders of the Far East Oil Development Company (many of whom are residents of Hongkong) at a recent meeting approved to increase the capital stock of the Corporation in order to permit a geo-physical survey of the Daanbantayan lease in Cebu and to extend drilling operations in the Bondoc peninsula. Dr. Corby, consulting engineer of the FEO, explained that about 10,000 feet have been drilled in 105 days in Daanbantayan which is quite a record and disclosed that the Corporation has six wells in the Bondoc peninsula drilled before the war and understood to contain oil indications. The operations in Bondoc were stopped in accordance with the policy of the government to lay emphasis on petroleum.

The capital stock of the Corporation will be changed from 30,000,000 shares of the par value of Peso 0.10 each to 40,000,000 with the same par value. The increase in the capital stock will be offered to subscription to all stockholders at Peso 0.15 per share. Stockholders as of January 10, 1948 are entitled to subscribe one share of the newly authorized stock for every three shares held as of that date.

The resolution also calls for full payment of the newly authorized shares by stockholders which are corporations or associations but other stockholders will have to pay 25 per cent at the time of subscription while the balance is to be called for at the discretion of the board of directors. The right of stockholders to subscribe for the newly authorized stock will expire February 9, 1948. The current price is 23 centavos per share.

ECONOMIC SITUATION OF THE PHILIPPINE REPUBLIC

Since the Republic of the Philippines came into existence on July 4, 1946 (by agreement with the U.S. Govt. embodied in an Act of Congress of March 24 1934) special relations with the U.S. have continued to guide and assist the new state. In fact, the prosperity of the Republic and her progress during the post-war years, in spite of Japanese and other war damages suffered to a large extent in many areas of the Islands, have been a consequence of the abundant support from the U.S. Very

close relations between Washington and Manila, by agreement, remain the basis for the promising economy of the Philippines in 1948. The United States is permitted to develop and maintain strong Army, Naval and Air Force bases in the archipelago. Until the Government of the Republic has trained a foreign service personnel, the United States will continue to represent Philippine interests abroad.

Most important of all, the Philippine Trade Act, 1946, underpins the Filipino economy by assuring complete free trade between the two countries for 8 years ending 1954; to the end of 1954 Filipino exports to the United States pay a duty equal to 5% of the existing American duties, and the duty thereafter increases by 5% annually until the full duty is payable after 1974. However, the American system of import quotas is maintained for Filipino sugar, tobacco and rice. The Republic agrees to admit 1,000 Americans annually for residence, and the United States agreed to grant admission to 100 Filipinos annually for residence and eventual citizenship.

Constitution and Population.

The Republic is governed by a constitution adopted 1935, and amended in 1940. The President and Vice-President are elected for 4 years; the former may be re-elected for another term. The President is assisted by 11 ministers and secretaries in charge of:—Foreign Affairs; Interior; Finance and Reconstruction; Justice; National Defence; Health; Public Instruction and Information; Public Works; Budget and Finance; Labour; Commerce and Agriculture. The bicameral Legislature consists of a Senate of 16 members and a House of Representatives of 98 members, all elected 1946. Suffrage is enjoyed by male and female citizens 21 years of age or older who can read or write Spanish, English or a native dialect and who meet certain residential qualifications (the official language is Tagalog, the dialect of Manila). Rural illiteracy is high, disfranchising the most depressed (and restless) sections of the population. Voters at the 1946 elections numbered 2,471,926.

The constitution vests in the Republic all ownership of the country's natural resources which, apart from public agricultural land, may not be alienated. Exploitation of natural resources is limited to citizens of the Philippines or of the United States and to corporations or associations 60% of whose capital is owned by Filipinos or Americans. Concessions and leases are limited to 25 years, renewable for another 25 years. Maximum area of agricultural land which any corporation may acquire or lease is 2,500 acres.

The group is composed of 7,100 islands and islets, of which only 462 have areas of 1 square mile or over. Total land area, 114,830 square miles.

The estimated total population 1941, based on the 1918 and 1939 censuses was 16,971,100. The Philippine census of 1939 showed that out of the total population of 16,000,303, citizens of the Philippines amounted to 15,833,649; China, 117,487; Japan, 29,057; the United States, 8,709; Spain, 4,627; Germany, 1,149; Great Britain, 1,053; Russia, 237.

Production & Industry.

The Philippines have a total area of 73,214,700 acres, of which 45,946,420 acres, or 63%, are suitable for cultivation; only 10,399,340 acres, or 14.1%, were cultivated in 1940. About 97% of the total cultivated area was owned by Filipinos, whose farms averaged 3 acres. The principal products are unhusked rice ('palay'), Manila hemp ('abaca'), copra, sugar cane, corn, tobacco and maguey. Output of Manila hemp, 1940, 134,224 metric tons; maguey, 17,699 tons; copra, 697,776 metric tons. There were 46 sugar centrals exporting about 900,000 metric tons of centrifugal sugar and 53,000 tons of refined. Output, 1940, of raw sugar, including muscovada and panocha, 1,148,000 metric tons. The principal fruit is the banana; there are also mangoes, papaya, lanzones, pilinut, chico, mandarin and oranges. Production of uncleaned rice in 1946-47 was 99,200,000 bushels. The cultivation of rubber was mainly in the southern provinces where the large plantations were located, covering about 5,000 acres; exports of crude rubber (1940) were 1,200,296 kilos.

In the production of copra and coconut oil the islands are classed among the foremost countries in the world. The United States take all copra, copra cake, coconut oil and desiccated coconut.

Before the war there were 3,015,400 carabaos (water buffaloes); 1,396,200 cattle; 343,500 horses and mules; 4,446,800 hogs.

The commercial forests furnish cabinet and construction timber, gums and resins, vegetable oils, rattan and bamboo, tan and dye barks and dye woods. About 97.5% of this belongs to the Government.

Gold is produced chiefly from districts in northern and southern Luzon, Mindanao and Masbate; output in 1940 was 1,096,745 fine oz., valued at US\$38,281,944. Chromite and copper were after gold principal mining enterprises. Iron ore production in 1940 was 1,221,126 long tons. Manganese ore (58,038 tons shipped in 1940, mainly to the United States), coal, asbestos, rock asphalt, guano and silica deposits have been found. Cement, 1945: 638,657 bags of 94 lb.

HONGKONG STOCK EXCHANGE TRANSACTIONS.

For the week ending Friday, January 16, a total turnover amounting to \$2,026,846 was reported. The official report of the Committee of the Exchange reads as follows: "The Hongkong Stock Market has ruled irregular this week. Buyers have been hesitant when they made short appearances. Sellers have followed the lead of hesitation, if not actually disappearing. This attitude of 'box and cox' has affected the week's turnover, which has been a comparatively poor one. In spite of the general uncertainty of the trend of the market, quotations at the close show remarkably small variations, they are either on a par with those of last week, or show slight advances. Curiously enough quotations of four Stocks, which are regarded as sound investments, show a slight fall, however, sellers of them have since become absent."

Highest and lowest quotations of stocks and shares traded last week and number of shares sold:—

Name of Stock	Highest	Lowest	No. of Shares sold
H.K. Bank	2,055	2,025	164
Union Ins.	780	770	65
Docks	34.75	33.75	3,100
Providents	23.75	23	3,500
Hotels	24	23½	3,000
Lands	80	78¼	600
Trams	24	23½	7,200
Electrics	52½	51	7,098
Lights	20½	20¼	3,300
Cements	32	31	4,000
Dairy Farms	61½	60	1,826
Watsons	70	69½	1,300
Lane Crawford	54	54	900
S'hai Docks	23	22	4,700
Ewos	17	14½	6,900
Waterboats	47½	47	280
S'hai Lands	6	5½	4,100

Other sales during last week were:—25 shares of Bank of East Asia; 313 shares of Wharves at \$153; 400 Humphreys at \$29; 100 Yaumati Ferrys; 80 new Electrics; 300 new Lights; 250 new Cements at \$30½; 150 Constructions; 500 Raub Mines at \$5½; 20,000 H.K. Mines at \$0.03; and 266 Rights of Dairy Farms at \$40.

PROSPECT FOR CONTINUATION OF THE BOOM IN THE PHILIPPINES

The start of 1948 sees the Philippines' major export staples commanding the best prices on record. Although the setback in December pulled the price of copra from the peak level reached late in November and early last month, the moderate recovery lately has lifted the market to around Pesos 46.50 per 100 kilos. At the start of 1947, copra rescada was quoted at an average of Pesos 35.61 (January average) and at the start of 1946 it was only around Pesos 13.51. The December average of Pesos 46.39 was the highest recorded in the history of the copra trade and compares with the 1920 peak of Pesos 34.75. The 1941 average was only Pesos 7.88.

Boom in Copra.

Copra producers, as a result of the current high price of the commodity, are practically enjoying the degree of prosperity attained in 1929, before the crash, when the average was computed at Pesos 16.66. At this price, producers then were having about the same buying power as producers who could sell their copra today at Pesos 45 or over, since the cost of living then was only about

Manufacturing is largely carried on in homes (chiefly embroidery, buntal hats, woven cloths, mats and pottery) but the number of factories is increasing; before the invasion it included 46 sugar centrals, 4 sugar refineries, textile mills, distilleries, 8 coconut oil mills, 6 desiccated cocoa factories, 92 large cigar and cigarette factories, and 2,391 rice mills.

Foreign Investments.

In 1938 they totalled (in US\$) about \$425,000,000 of which 60% (\$258,000,000) were American. The latter had \$39,000,000 in the sugar industry, \$36,600,000 in government bonds, \$13,900,000 in coconut industry, \$70,000,000 in mining, and \$31,800,000 million in public utilities. British investments are accounting for most of the 40%.

Pre-war Exports & Imports.

In 1940 sugar accounted for 40% by value of total exports, followed by coconut products 20%, abaca (hemp) 11%, tobacco 4%, lumber 3%. The U.S. took 82% of all exports including 99% of sugar, 95% of coconut oil, 90% of cigars; and the U.S. supplied 78% of all imports.

Owing to the commercialising of agriculture for export, foodstuffs have to be imported to an increasing degree, about 15 to 20% of all imports, mainly rice from South East Asia, wheat products and dairy products from the U.S.

Values of pre-war imports ranged from 202 to 270 million pesos, and exports from 295 to 338 million per year.

one-third of what it is a present. But producers in 1920 certainly were twice as prosperous as producers now with the average price of copra during that year reported at Pesos 34.75 per 100 kilos. Producers today would have to sell their copra at around Pesos 100 per 100 kilos to have as much buying power as producers during the boom year 1920.

Unquestionably the premier export product of the Philippines after liberation; copra made a more spectacular showing during 1947 when it rose to unprecedented heights and brought prosperity to the millions of people dependent on the industry, increased the purchasing power of the people in general, and brought to the islands in exchange a goodly amount of dollars to pay for the country's voluminous imports.

Hemp

Hemp, second most important support of the national economy in 1947, also starts the new year in an auspicious position. Grade J1, Davao, is currently quoted at an average of Pesos 59 per picul and at Pesos 44.50, non-Davao. The average price for both grades during December reached the peak of Pesos 50.52, against Pesos 46.44 for November and Pesos 38 for December, 1946. When 1947 started, it was only quoted at Pesos 46.38 while at the beginning of 1946 it was only selling at the control price of Pesos 19.50 per picul.

Sugar.

Some of the major items are seeking lower levels. Sugar until recently has been a domestic consumption commodity with the export trade having not as yet hit its stride. Sugar last year saw a sharp cut in prices, particularly after President Roxas had decided to hike the domestic consumption quota from 80,000 to 150,000 tons. Reductions ranged from 45 to 60 per cent, although the lowered prices are considered still about 500 per cent higher than the 1941 level.

Lumber.

In 1947, lumber dropped by 12 to 22 per cent compared with price levels in the preceding year. There was a ten-

dency for prices to rise earlier in the year owing to brisk construction activity, but increased arrivals from the production areas in later months and the price control which was subsequently followed by the partial lifting of the embargo on exports aided in the relaxation of the market. The slowing down of construction activity as a result of shortages in other building materials likewise helped in easier values in the latter part of the year.

Future of the Boom.

The price uncertainties of 1948 today make copra and hemp producers skeptical over a possible continuation of the 1947 boom conditions in the export market. When 1947 started, producers were still looking forward to a real boom during the year as a continuation of the 1946 bull market. The trend for this year is likely to be influenced by the following factors: (1) improvement of supplies in producing areas, (2) relaxation of the current tight hard currency position of dollar starved countries, (3) administration policies in Washington where a good deal of the discussions on the shape of tomorrow's world is taking place, and (4) the downward tendency in the cost of living. A positive trend in the first two factors may bring a relaxation in today's high values, but negative tendencies in the latter two are expected to delay any return of price levels to normal.

Copra and hemp producers at least hope that current price levels be maintained possibly through 1948. Home builders, on the other hand, hope that prices of lumber and other building materials ease further, as do consumers of many other items not for export. The outlook in this connection is still clouded from the short term standpoint owing to the recent inflationary tendencies in the U.S. where prices of a wide range of commodities, from raw materials to finished products, have been hiked. Whatever the trend of consumer articles in the U.S., the Philippine price structure is still being protected by the wide disparity between the cost of living index in Manila and that in the U.S. Production gains as a result of the gradual restoration of the nation's productive capacity are expected to bring about a further relaxation in the unwieldy cost of living in the Philippines.

GOLD PRODUCTION AND CLASSIFICATION

Gold is commonly found in the metallic state in nature. It occurs, as alluvial gold, in the form of dust, flakes, or nuggets mixed with sand and gravel in the beds of running streams, or in the beds of streams which have long dried up; in the latter case, the deposit is often covered with a mass of earth and rock, from which it has to be mined. Gold frequently occurs in veins disseminated through quartz and

other rocks, in which case it is known as "vein" gold. Gold is almost always associated with silver, and quite frequently with the ores of copper, iron, platinum, tin and zinc, iron pyrites, etc. from which it is obtained as a by-product in extracting the baser metals from the ores. It is sometimes found in combination with tellurium in certain tellurides, particularly in Austria, Colorado and Australia, but it is

not much worked in this form. The metallic contents of gold ore are usually expressed in troy ounces per ton; 1 troy ounce per ton about 1/300 percent; the usual proportion is about 1/2 to 1 ounce per ton, but the metal is extracted down to 1/16 ounce per ton, or about 1/3,000 percent.

Gold Mining.

The methods used in obtaining gold vary considerably. Alluvial gold is obtained by what is known as "placer" mining. The primitive method of conducting this operation is to place the gold-bearing gravel or sand with water in a flat pan, which is then well shaken, the result being that the difference in the specific gravity of the substances present causes the gold to sink to the bottom of the pan, the sand and the water being poured off. Another method is by means of the "cradle", the cradle consisting of a fairly large vessel in which the gravel and sand are placed with water and vigorously rocked, thus causing the gold to collect at the bottom of the vessel. As a rule, however, in placer mining, the gold-bearing material, after having been mixed with water, passes through a "sluice", an apparatus which consists of a series of long inclined wooden or stone troughs, on the bottom of which are fixed strips of wood which retain the gold as it sinks to the bottom, the mud being washed away. Sometimes the material is carried into the sluices by means of a powerful jet of water, which is directed on to the deposit by means of nozzles; this process is known as "hydraulic" mining, or "hydraulic-lunging". The gold-bearing material is often removed from the beds of running streams by means of dredgers, and is afterwards treated for the gold which it contains. Sometimes mercury is placed in the pans, cradles, or troughs in order to form an amalgam with the gold, the amalgam being afterwards distilled, so as to separate the gold and the mercury.

In "vein" mining, the rock is first crushed to small pieces or to a coarse powder in a stamping mill, sometimes after having been roasted, particularly if sulphides or arsenides are present. The powdered rock is then mixed with water and passed over large copper plates covered with mercury, or through troughs which contain mercury, the mercury retaining the particles of gold and forming an amalgam with them. Rocks from which gold can be obtained by this treatment are said to be "free-milling"; when the gold occurs mixed with other metals in such a manner that it cannot be so extracted, the ore is said to be "refractory". Refractory ore is smelted for the sake of the copper or other base metal which it contains, the gold being separated during the refining operations.

Low-grade gold ore is sometimes treated with chlorine solutions, thus forming gold chloride, from the aqueous solution of which the gold is obtained as a precipitate after treatment with zinc. Some gold ores are treated with a dilute solution of cyanide of potassium, which dissolves the gold and forms a gold cyanide solution, from which, by treatment with zinc, the gold is precipitated as a black powder, which turns yellow on ignition. By chemical treatment, gold can be obtained from sea-water, which holds gold in solution, but so far the experiments made in this direction have not been a commercial success. Gold is separated from silver and copper by being boiled with strong sulphuric acid, thus dissolving the silver and copper, and separating the gold as a powder, the final solution, after the precious metal has been removed, being evaporated for sulphate of copper. Gold and silver can be separated in the same manner by treatment with hot nitric acid. Electricity is also used as a factor in reducing gold ore. Gold is refined by being "cupelled" with lead, or by melting under borax, sometimes with the addition of zinc.

Native and Pure Gold.

Native gold is never perfectly pure. It often contains from 80 to 95 percent of gold, but sometimes a much smaller proportion. When only about 50 percent of gold is present, the metal is almost white in colour. Native gold has a specific gravity varying from about 15.6 to 19 (according to the degree of purity), and a golden streak.

Pure gold is a brilliant, lustrous metal, yellow when seen by reflected light and greenish when seen by transmitted light. It is very soft and is the most malleable and ductile of all the metals, being capable of being drawn out to so fine a wire that it takes 130 yards to weigh one grain. The specific gravity of gold is 19.28; the tensile strength, 8.9 tons per square inch; the weight per cubic foot, 1,204 pounds, and the weight per cubic inch, 0.7 pounds. Gold does not oxidise or tarnish when exposed to the air. It has a melting point of 1,045°C., and when heated above its melting point becomes somewhat volatile. It does not dissolve in ordinary acids, but dissolves in aqua-regia (a mixture of hydrochloric and nitric acids), in bromine water, solution of potassium or sodium cyanide, and in chlorine water or in any other mixture which evolves chlorine. At ordinary temperatures chlorine attacks gold readily; bromine and iodine also attack it, but to a less extent than chlorine. When powdered or finely divided, gold is attacked by cyanide of potassium in presence of air. Gold is too soft to be used pure; hence it always appears in commerce alloyed with other metals, usually with silver or copper.

Fineness of Gold.

For the purpose of denoting the relative fineness of gold there are two systems in common use—the "milli-simal" system and the "carat" system. In the former, pure gold is taken as being of a fineness of 1,000, other qualities being marked according to the proportion of pure gold which they contain. In the carat system, pure gold is reckoned as having a fineness of 24 carats. The term "carat" as applied to gold relates entirely to the purity of the article, and has nothing to do with the carat (4 grains troy) which is used as a unit weight by diamond dealers, and which derives its name from that of a bean which was formerly much used as the unit of weight for gold.

In Great Britain commercial gold is usually classified into five grades—22, 18, 15, 12 and 9 carats; if the quality of the gold falls even the slightest short of one grade, the gold is stamped as being of the next lower grade. The gold is tested in specially authorised assay offices, where it is stamped with various marks. (1) The "quality" mark, denoting the purity or quality of the gold in carats (24ths), always shown by figures; the contents in pure gold of 9, 12, or 15 carats is also shown by decimals, as ".375", ".5". (2) The "standard" mark, which is also a quality mark, is stamped on 18 and 22 carat gold only. In England, this mark consists of a crown; in Scotland, of a thistle. In Ireland the "crowned harp" denotes 22 carat; the "plume of three feathers", 20 carat; and the "unicorn" 14 carat. In Scotland a "lion rampant" is stamped on all five qualities. (3) The "date" mark, which consists of a letter denoting the year in which the article was stamped at the assay office. (4) The actual "hall mark", consisting of the arms of the town in which the metal was assayed and stamped. (5) The "maker's" mark, consisting of the initials of the maker's name.

Old gold articles also bear the "duty mark," consisting of the monarch's head in a shield. A small extra mark, such as a star or a cross, is sometimes added by the workman to denote that the article is his work. All the marks stamped on the metal at the assay offices are enclosed in shields of various designs.

Gold alloys differ in colour according to the colour and proportions of the metals which they contain. British gold coins are of 22-carat gold, that is, they contain 91.66 percent of pure gold, the remainder consisting of copper.

ECONOMIC POLICY OF CHINESE COMMUNISTS

In the annual report to the Chinese Communist Party's Central Committee, its Chairman Mao Tse-tung, on December 25, 1947, outlined the various tasks confronting the Communists and the nation this year and also reviewed the developments of 1947. Apart from lengthy reviews of political, military, strategic, inter-party affairs, two chapters dealt with economic matters only, viz. with the change of agrarian reform methods and principles developed during 1947 and the policy adopted vis-a-vis the middle classes in China. These two parts of Chairman Mao's report are published below in condensed form.

1.) PRINCIPLES AND ACHIEVEMENTS OF AGRARIAN REFORM IN THE NEW DEMOCRATIC CHINA.

During the anti-Japanese war, for the sake of establishing an anti-Japanese united front the Party changed from the policy of confiscating landlord's lands and distributing them to the peasants to that of reducing rents and interest. After the Japanese surrender, the Communist Party changed the agrarian policy of reducing rents and interest to one of confiscating the lands of the landlord class and distributing them to the peasants. The directive issued by Central Committee of the Party on May 4, 1946 expressed this change.

The Basic Programme on Chinese Agrarian Law* stipulates that under the principle of eliminating the agrarian system of feudal and semi-feudal exploitation and carrying out the agrarian system of land to the tillers, the land shall be equally distributed according to population. This is the most thorough method for eliminating the feudal system, and is entirely in conformity with the demands of the broad masses. For the carrying out agrarian reform, not only peasant unions and their elected committees, must be organized in the villages; but also poor peasants leagues, and their elected committees. These shall be the legal organs for carrying out agrarian reform, and the poor peasants league is to be the backbone leading all rural struggles.

The land and properties which should be distributed to landlords and rich peasants shall not exceed those distributed to the peasant masses. But neither should the ultra-left, erroneous policy carried out between 1931 and 1934, be repeated. Although the proportion of landlords and rich peasants in the village population may be greater or smaller in various places, generally speaking they make up only ap-

proximately 8 percent (reckoned in families), but the land they hold, generally speaking, make up 70 to 80 percent of all land. The number of people (families) in the villages who can and should participate in the agrarian united front make up over 90 percent.

Two basic principles must be noted:— firstly it is necessary to satisfy the demands of the poor peasants and farm labourers. Secondly it is necessary to unite the middle peasants and not injure their interests. In accordance with the principle of equal distribution, the surplus land and a portion of the proper-

ties of old-type rich peasants should be taken for distribution because China's rich peasants in general have a heavy feudal and semi-feudal exploiting nature—most rich peasants at the same time collect land rents and engage in usury, and their conditions of hiring labour are semi-feudal. The land they hold is very great in quantity and very good in quality, the demands of the poor peasants and farm labourers cannot be satisfied if equal distribution is not carried out. But, in accordance with the stipulations of the Basic Programme on Chinese Agrarian Law, there should in general be differentiation between the treatment of rich peasants and landlords.

In the course of agrarian reform, the middle peasants express their approval of equal distribution of land because equal distribution does not harm the middle peasants. In the equal distribution, the land of a portion of the middle peasants remains unchanged, the land of another portion increases. Only a portion of well-to-do middle peasants have a small quantity of surplus land, and they are willing to hand it over for equal distribution—this is because after equal distribution their land tax burden is lighter.

Nevertheless, in the carrying out of equal distribution in the various areas, it is still necessary to heed the opinions of the middle peasants; if they do not agree, concessions should be made to them. In the confiscation or distribution of the land and properties of the feudal classes, attention should be paid to the needs of certain middle peasants. In the demarcation of class composition, care must be taken not to assign those who are really middle peasants erroneously to the rich peasant category.

2.) ECONOMIC STRUCTURE & GUIDING PRINCIPLES FOR CHINA'S ECONOMY.

The three Economic Platforms of the New Democratic Revolution are:—(1) Confiscate the land of the feudal classes and put it under the ownership of the peasants, (2) confiscate the monopoly capital headed by Chiang Kai-shek, T.

V. Soong, H. H. Kung, and Chen Li-fu and put it under the ownership of the New Democratic State; (3) protect national industry and commerce. The four families (Chiang, Soong, Kung and Chen) during their 20 years in power have amassed enormous capital worth 10 to 20 billion American dollars and monopolized the economic pulse of the entire country. This monopoly capital, merged with state power, becomes state

monopoly capitalism. This is the economic foundation of Chiang Kai-shek's reactionary regime. This state-monopoly capitalism not only oppresses workers and peasants, but also oppresses the petty-bourgeoisie and injures the middle bourgeoisie. This state-monopoly capitalism reached its highest peak during the anti-Japanese war and after the Japanese surrender; it prepared full material conditions for the new democratic revolution. This capital is popularly called bureaucratic capital in China. This bourgeoisie is called bureaucratic bourgeoisie, that is, China's big bourgeoisie.

The petty-bourgeoisie and middle bourgeoisie oppressed and injured by these classes and their state power may however participate in the New Democratic Revolution or maintain neutrality. Wherever the state power of new democracy extends, these classes must be protected. Among the upper petty-bourgeoisie and middle bourgeoisie, however, there is a portion with reactionary political tendencies, small in number, the rightist elements of these classes.

The New Democratic Revolution is only to eliminate feudalism and monopoly capitalism, the landlord class and the bureaucratic bourgeoisie (big bourgeoisie), not capitalism in general and not the petty bourgeoisie and the middle bourgeoisie. Owing to the backwardness of China's economy, it will still be necessary to permit the existence for a long period of the capitalist economy represented by the broad petty and middle bourgeoisie even after the nation-wide victory of the revolution. Furthermore in accordance with the division of labour in national economy, the development of a section among them beneficial to the national economy will still be necessary; they will still be an indispensable part of the entire national economy. The petty bourgeoisie mentioned here refers to small scale industrial and commercial capitalists who hire workers and shop employees. But besides this, there are the broad independent, small, industrial and commercial business men who do not hire workers or shop-employees. With regard to these small industrial and commercial business men, they should be protected.

Owing to the fact that the new democratic state will have in its hands the enormous state capital which controls the economic pulse of the entire country, taken over from the bureaucratic bourgeoisie, and will also have in its

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OFFICIAL PLANS FOR ECONOMIC REFORMS IN CHINA

The State Council of the National Government of China adopted on August 1, 1947 an **ECONOMIC REFORM PLAN** which is, in a condensed form, published below.

In view of the emphasis laid by the State Council on the responsibility of the Nanking Government to implement this reform plan, and the apparent inability of the Government to progress along the road outlined by the State Council (actually by the National Economic Council of the Executive Yuan who drafted the plan), the reciting of the many paragraphs of the reform plan in China amounts to thinly veiled criticism of the present Government.

hands the agricultural economy emancipated from the feudal system, although for quite a long time it will basically still be scattered and individual, nevertheless it can be guided step by step to develop in the direction of cooperative in the future.

Adopting ultra-left, erroneous policies toward petty bourgeoisie and middle bourgeoisie economic elements as in 1931 to 1934—"excessively high working conditions, excessively high income tax rates; infringing on industrial and commercial elements in agrarian reform; not taking as our own objectives the development of production, the flourishing of economy, taking into account both public and private interests and benefits to both labour and capital, but taking as our objectives shortsighted, unilateral so-called welfare of the toilers"—must absolutely not be permitted to recur. If this kind of mistake is repeated, it will necessarily injure the interests of the labouring masses and of the New Democratic state. There is a provision in the Basic Programme on Agrarian Law: "The property and legal operation of industrial and commercial business men should be protected from infringement". The industrial and commercial business men mentioned here refers to all independent, small industrial and commercial business men, and all small and middle capitalist elements.

To sum up, the economic structure of new China is: (1) State economy; (2) agricultural economy developing step by step from an individual towards a collective one; (3) the economy of independent small industrial and commercial business men, and the economy of small and middle private capital.

The guiding principle of the national economy of new democracy of China must pursue the general objective of developing production, a flourishing economy, taking into account both public and private interests and benefits to both labour and capital. All principles, policies and methods which deviate from these general objectives are erroneous.

Foreign observers have been struck by the simplicity and the repetition of the obvious in this economic reform plan but many prominent Chinese business men have hailed the adoption of this plan by the State Council, nominally the highest organ in the country, as an historic event in post-war Chinese history.

Following is the condensed text of the Economic Reform Plan of China.

* * * *

Foreword

The only thing the rural districts lack is capital. The ordinary banking institutions do not handle farm loans, while such credit facilities as are available are too limited to be of practical help. The lack of an adequate financing system has set at naught China's natural advantages and human assets.

The functions of banking institutions should also be clearly demarcated so that each will do its part in the overall program of economic development.

There should be an over-all plan for the development of productive enterprises. There has been no clear line of demarcation between state-operated and private enterprises thus creating a situation wherein things are left undone either because of inadequate means or hesitation to act. So long as neither state-operated nor private enterprises are accorded adequate facilities to mortgage their factory buildings, land, machinery and other fixed assets, no systematic development, will be possible.

Favourable terms should be offered to induce foreign capital and technical help to China for the purpose of achieving national industrialization.

Only when the various productive enterprises are developed can these be a proportionate increase in national income. So long as the Government's budget remains unbalanced, note-issue inevitably increases. Added to this is the fact that money actually used in production is mistakenly referred to as inflation. This has resulted in lower production, material scarcity, price skyrocketing, and excessive interest rates. In turn, these have caused a drain on sources of revenue and an ever-widening disparity between receipts and expenditures. In the past, instead of attacking the problem through the increase of production, under effective supervision, the Government merely introduced expedient measures which served no other ends than to tide over the crisis. Such ameliorative measures have proved to be more costly than the ills they were supposed to cure.

(I) Banking System:

The banking system of China, after needed renovation, should be of ser-

vice to the nation's economic policies. The desired end is, agriculturally, the greatest possible yield from the land; industrially, the fullest possible utilization of materials, and, commercially, free movement of goods. To arrest the tendency towards a general commercialization of banking, the functions of all banks bearing any relationship to production should be specialized. A network of banks should be established through the planned distribution of both government and private banks all over the country, thus avoiding the concentration of banks in a few coastal cities, especially Shanghai. Banking reforms needed, both in organization and functions, are as follows:

(1) The *hsien bank* being the base of the banking system, should be reorganized to improve rural economy, to facilitate local reconstruction, and to help enforce the local self-government program. In principle, each *hsien* should have a *hsien bank*, into which the *hsien* government is to invest from its own public funds, as well as from those of *hsiang* and *chen* in the *hsien*. The *hsien bank* may also accept private capital by selling shares to people residing in the *hsien*.

At the same time, the Central Bank of China and the provincial bank concerned should, besides making investments for the sake of promotion, provide the *hsien bank* with trained personnel, guidance and assistance to carry out its functions.

The *hsien bank* should be backed up by the Farmers' Bank of China, the Bank of Communications or the Bank of China, depending on their specialized functions and needs.

(2) The main functions of the *provincial bank* should be to regulate provincial finance, assist economic reconstruction and develop industrial productive enterprises in the province.

The provincial bank should be established at the seat of the provincial government and it should establish branch offices only in important political and economic centres in the province.

(3) For *land finance*, the Central Government should earmark special funds and issue land bonds. At the proper time, special banks may be created for that purpose.

(4) The specialized functions of the *Farmers Bank of China* should be to foster the prosperity of rural communities by extending loans for agricultural production, irrigation and conservation, warehousing, transport and marketing of farm produce, and land finance, for the general purpose of helping the farmers.

(5) The specialized functions of the *Bank of Communications* should be to

assist in the development of domestic and foreign trade by handling all matters relating to domestic and foreign trade, loans and mortgages for productive purposes, and international remittances.

(7) The specialized functions of the *Postal Remittances and Savings Bank* should be to absorb the people's savings and deposits and handle small remittances.

(8) The specialized functions of the *Central Cooperative Bank* should be to sustain the various cooperative loans.

(9) The specialized functions of the *Central Trust of China* should be to handle trust, re-insurance and the insurance of public enterprises and to guide private trust and insurance enterprises.

(10) The main functions of the *Central Bank of China*, the "bankers' bank," should be to regulate the national finance in such a way as to ensure close financial and economic co-ordination, thereby assisting economic reconstruction.

(11) The *Joint Head Office of the Four Government Banks* should, with the completion of the rehabilitation program, be converted into a planning and coordinating organ, or it should be merged with the Currency Department of the Ministry of Finance, to form a Financial Control Bureau under the Ministry of Finance.

(12) The Government should stipulate the classification and distribution of *private banks*. The capitalization of these banks should be augmented. Small banks and native banks should be merged in order to strengthen their capital reserve, and the use of their capital should be subject to strict control in accordance with standards set by the Government.

(13) The Government banks should, in accordance with their respective specialized functions, maintain close contact with private banks of the same nature and give them guidance. The business scope and location, according to nature of business, should be stipulated of branch and sub-branch offices of private banks.

(II) Production and Reconstruction

The Government should hereafter adopt the following policies:

(1) Every possible protection should be extended to existing productive enterprises so as to stabilize employment and prevent unemployment.

(2) Effective plans should be worked out to bring about a steady increase of productive enterprises and to induce idle manpower to engage in production.

(3) Scientific inventions should be encouraged and voluntary labour service promoted so as to foster the spirit

of enterprise and cultivate the desired national habits.

(4) Educational programs should be co-ordinated with economic projects so that the training of personnel may keep pace with the development of productive enterprises. With increased agricultural and industrial production and an improved transportation system, and through the encouragement of creative enterprise and foreign investment, prices will not fail to become stabilized.

Measures designed to develop agriculture, industry, commerce and communications, to increase production and to stabilize prices are as follows:

(A) Agriculture

(1) Reforms in land distribution should be effected in order to improve and fully develop land. The principle of "25 per cent. reduction in rent" in regard to the landlord-tenant relationship and the policy of "land for the tillers" should be fully carried out in order to increase production.

(2) Encouragement should be given to collective and cooperative farms at selected places. By using new machinery and up-to-date methods of production these farms can serve as models to all farmers. The existing experimental farms and agricultural research institutes should be enlarged in order to improve productive techniques.

(3) As water conservancy is essential to agricultural improvement, the National Government should undertake large scale conservancy projects and the construction and maintenance of main irrigation canals.

(4) Rural cooperatives should be increased and strengthened. Credit facilities should be made available to farmers.

(5) The system of "ever-stable granaries" should be established immediately.

(6) The Farmers Bank of China should extend its credit facilities and take an active part in the transportation and distribution of farm products in that the Bank with its financial resources will assist the Government in boosting production and transporting foodstuffs from regions of plenty to places where there may be a shortage.

(7) Effective measures should be taken for the establishment of more seedling nurseries and the development of forestry.

(8) Farmers should be given training in such vocations as masonry, carpentry and stone work. Rural industries should be promoted in order to raise the farmers' standard of living.

(9) In animal husbandry, attention should be given to the prevention of animal diseases, improvement of animal breeding and the increase of breeds

and propagation. In rural districts, animal and poultry feed should be extensively grown and waste land utilized for grazing purposes.

(10) Saltwater and freshwater fisheries and marine products should be developed.

(B) Industry

(1) In the development of industry, efforts should first be directed to meet the needs of the rural communities. Priority should be given to water conservancy projects and industries for the manufacture of chemical fertilizers, farming implements and transportation equipment.

(2) During the initial stage of industrial development, special attention should be given to increase of fuel production and the promotion of the power industry, exploitation of various mines, production of steel, cement, and other construction materials, and establishment of machine-making factories as the foundation for other industries.

(3) The development of industries necessary for the people's livelihood should begin with food, clothing, housing, transportation, and printing.

(4) In regard to the scope of both state-owned and private enterprises, the Government should stipulate the main classifications of the two types of industry.

(5) The Government should formulate a comprehensive nationwide plan for the establishment of industrial areas.

(6) The Government should assist and develop small industries (particularly handicraft) and their cooperative organizations; and encourage the people to utilize their leisure for industrial production so as to meet domestic and foreign needs.

(7) In order to develop foreign trade and increase exports, the production of minerals, art and handicraft works and processed farm products should be stepped up.

(8) Industrial standardization should be promoted.

(9) The Government should organize and promote various industrial and mining enterprises and encourage the formation of investment corporations so that long-term capital may be invested in such enterprises.

(10) Industrial and mining corporations should be allowed to issue stocks and bonds so that idle capital may be extensively directed into proper productive channels.

(11) The banks should make sure that all loans granted to industrial and mining enterprises are actually used for production purposes.

(12) Whenever necessary, industrial and mining enterprises should be allowed to re-assess their fixed assets and re-evaluate their capital investment.

(13) To hasten industrial development, the Government should make clear provisions for the encouragement of foreign investment and technical assistance.

(14) Wages should be fixed at reasonable levels.

(C) Commerce

(1) To encourage domestic trade, the available credit and transportation facilities should be utilized to the fullest extent.

(2) In international trade, the importation of articles other than tools, raw materials, books and laboratory equipment should be restricted so as to conserve foreign exchange.

(3) Active encouragement should be given to the export trade with a view to obtaining at least a portion of the foreign exchange needed to pay for imports.

(4) The National Commodity Supply Cooperative should maintain close contact with the International Cooperative Trade Committee of the International Cooperative and arrange, whenever possible, for an exchange of commodities on a barter basis.

(5) Trade guilds should be strengthened in order to improve trading methods, raise commercial morals, and help the Government in the enforcement of its price control measures.

(D) Communications

(1) Besides the projected lines which the National Government intends to build, local governments and private enterprises should be permitted and encouraged to operate railways in accordance with government regulations.

(2) Besides the national highways which will be designated and announced by the Government as lines to be built by itself, local governments and private enterprises should be permitted and encouraged to construct and operate all other lines.

(3) All airfields should be placed under the administration of the Government, but air transportation as a field of private enterprise should be encouraged.

(4) Improvement of the main waterways should be undertaken by the National Government. The fullest encouragement should be given to private navigation enterprises.

(5) Telecommunications should be administered by the National Government.

(6) Long-distance telephone communications, trunk lines and inter-province lines should be built by the National Government.

(7) Municipal telephone services, whether in municipalities under the direct control of the Executive Yuan or in municipalities under the jurisdiction of the provincial governments, should be operated either by the Government or by public corporations. Private enterprise should be encouraged to operate telephone services in the rest of the country.

(E) Increase of Production and Price Stabilization.

(1) The Government should, by means of agricultural loans or pre-harvest purchase, stimulate the production of chief agricultural products.

(2) The Government should provide factory owners with raw materials.

(3) The Government should, by means of export loans or orders, promote exports.

(4) The Government should devise a system for rationing daily necessities to military personnel, government employees and members of the teaching profession.

(5) The Government should negotiate machinery and raw material loans with foreign countries as a means of increasing commodity supplies.

(6) Besides those needed by state-operated industries, all enemy and puppet industrial and mining equipment in China and reparations factories to be obtained from Japan should be sold or leased to competent and experienced industrialists.

(7) A maximum rate of interest should be fixed. All loans bearing interest rates exceeding the maximum should not be given legal protection. Instead, there should be penalty for violations.

(8) Speculation and market manipulation should be strictly suppressed by the Government.

(III) Financial Reforms

(1) The existing public finance system should be revised so that revenues at the provincial level may be increased and the provincial governments may eventually attain self-sufficiency. Hsien and municipal taxes should be thoroughly readjusted. All extra-legal assessments should be strictly prohibited.

(2) The rates of direct taxes, commodity taxes, customs and salt taxes should be readjusted according to the people's ability to pay.

(3) To meet reconstruction needs, new sources of revenue should be developed in accordance with the principle that taxes should be borne by those with the ability to pay.

(4) To improve efficiency in tax administration and to cut down service costs, tax-collecting organizations should be readjusted, a strict control should be exercised over their functions, and the method of collection should be simplified.

(5) Enemy and puppet assets and surplus goods should be sold quickly.

(6) The sale of government bonds to absorb idle capital should be promoted.

(7) Priority in foreign exchange allotments should be given by the Central Bank of China to those who are able to pay with gold, provided the exchange thus granted is for the purchase of importable goods.

(8) The retention or abolition of government organizations should be made contingent on the requirements of national reconstruction. Organizations with an excessively large personnel should retrench, while duplicating agencies should be abolished or amalgamated.

(9) All expenditures which are not urgently required by the Government or intended for national reconstruction purposes should be curtailed.

(10) The Government should seek to increase its revenue receipts and cut down all unnecessary expenditures.

(11) The Government should take effective measures to retard the circulation of currency.

(12) The Government should make adequate preparations to readjust the currency system at the opportune moment. Special currencies in the Northeast, Taiwan and Sinkiang should also be readjusted and unified at the same time.

(13) Foreign exchange control measures should be strengthened and remittances from overseas Chinese should be absorbed so as to increase the reserve of foreign exchange.

(14) A time-limit should be set for the people to declare their assets in foreign countries and measures for the utilization of such assets should be formulated.

(15) The people should be allowed to purchase with gold such state-operated enterprises and enemy and puppet property as are offered for sale.

Conclusion

To achieve desirable results in the enforcement of this Plan, particular attention should be paid to the following three matters:

1. The treatment of military personnel, government employees and schoolteachers should be reasonably improved as to enable them to maintain the necessary minimum standard of living and raise the level of administrative efficiency.

2. State-operated and private enterprises should be treated on an equal footing. No special treatment should be given to any group of private enterprises to the detriment of other legitimate enterprises.

3. An extensive economic reconstruction movement should be launched among the people to enhance their understanding and arouse their interest in national economy. It is only through the concerted efforts of the Government and the people that existing economic difficulties may be successfully overcome.

When reforms stipulated in this Plan are faithfully carried out, the present stalemate in production, the skyrocketing prices, the exhaustion of the sources of revenue and the budgetary deficit will be remedied.

